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The Week

THE British general strike seems to have ended not in a peace without victory but in a peace with two victories. On the one hand the unions in those trades which broke their contracts by quitting work seem to have admitted that they were technically wrong and to have promised not to do it again. This provision in the treaty of peace temporarily relieves British business and society of a threat which has hung over it for many years. On the other hand the general strike, although condemned as a method of accomplishing results, is none the less justified by its fruits. By virtue of declaring it the Trades Union Council obtained better terms for the miners than it could have obtained without the use of the weapon. The provisions of the peace pledged the government to treat the miners more generously during the period of negotiation and to act more energetically for the purpose of coercing the mine owners into a reorganization of the industry. The miners will fare distinctly better under the new arrangement than they would have fared under a literal execution of the plan of the Royal Commission. As a matter of fact the real victors in the conflict were the liberals in both parties—a fact which seems to confirm the recent contention of the New Republic that the presence of liberals is desirable in each of two contending parties rather than in only one.

IF it is clear that the strike was not in reality defeated, it is just as clear that the widespread advertisement of its defeat was the price paid by labor for the government's concessions in the mining dispute. There seems to have been a secret or a tacit understanding that if the leaders of the Trades Union Congress would call off the strike and refrain from expressions which would indicate that it had any effect on the government's action, the government would in turn do almost everything that the Trades Union Congress wanted—if only to prove that Parliament, once vindicated by an act of allegiance on the part of labor, would prove adequate to handle the industrial evils of which labor complained. Doubtless this outcome was as devoutly desired by men like MacDonald and Thomas as by Baldwin himself. The Parliamentary labor leaders do not like the weapon of the general strike; they do not want to encourage it. They expect in time to have a Parliamentary majority for labor which will undertake drastic reforms; to this end they want to maintain the prestige of Parliament unimpaired; they do not want any reactionary minority using direct action to be able to appeal to a precedent made by labor itself.

A CONSERVATIVE government which can negotiate a settlement of this kind of the issues which were involved by the general strike and the sickness of the coal industry is manifestly very far from being either in disposition or in dogma an

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example of Toryism. British conservatives under Mr. Baldwin's leadership are genuinely and even militantly liberal, for they have granted to their political and class opponents the liberty to challenge the authority of the state and threaten the safety of society without pulling on the protestants the dogma of the divine right of the state. Their forbearance was one of the greatest vindications of political liberty and moral toleration which the British political genius has as yet perpetrated. But British conservatism not only overcame its natural tendency to state righteousness and intolerance, but it has apparently decided to assume entire public responsibility for a great and necessitous industry. Under the pressure of circumstances—that is, of a really powerful and radical opposition—it is not only disposed to be liberal, but it is disposed to be socialistic. How much of this regeneration of conservatism is due to the personal influence of the Prime Minister, Mr. Baldwin, we do not pretend to know. Obviously the Conservative party under the leadership of Winston Churchill would be much more likely to assume dramatic attitudes and base its behavior on loyalty to stupendous and incorrigible principles. But Mr. Baldwin cannot do it all alone; and British conservatism now undoubtedly contains large infusions of traditional liberalism and reformist socialism.

ONE of the most impressive demonstrations of the strike was the solidarity, the discipline and the morale of the British trades union movement. This was manifest first in the completeness of the response to the strike order, second in the absence of any serious outbreaks or provocative action which would have given the Conservative die-hards the upper hand in drastic use of the powers of government, and third in the orderly retreat, so managed that no union lost its control of its membership or its former standards. It is usually harder for a union to end a strike successfully than to begin one. The general strike, with its universal violation of contracts, offered a golden opportunity to employers to victimize individuals and impose new terms on the strikers. That in England they did not do so is attributable partly to their own forbearance and partly to Premier Baldwin's warnings, but even more to the fact that the return of labor to the job was not a rout, that the unions retained plenty of reserve powers, and that a wholesome respect for them caused employers to think twice before inviting further trouble by imposing conditions for a resumption of relations that would cause prolonged conflict and serious discontent in the future.

THE epidemic of attempts to reach the North Pole and explore the polar regions by air may have another basis than the desire of newspapers to exploit the sporting interest and heroism of such expeditions as those of Commander Byrd and Captain Amundsen. Due to the fact that most of the earth's land is in the northern hemisphere and most of the important cities are in the northern part of this hemisphere, the shortest routes from city to city often lie across the Polar seas rather than in an east-west direction. If it could be proved that flying in the Polar regions is reasonably safe, and if landing and supply stations could be established at reasonably short intervals along the routes, air communication might be arranged between these cities which would cut days or even weeks off the time now occupied in the carriage of important mail or passengers in a hurry. In a sense, air exploration of the Arctic is a resumption of the historic effort to find a short Northwest passage which led to the discovery of the Hudson River and of Hudson's Bay. For centuries blocked by land and ice in navigation of ships, explorers have at length turned back to the centuries-old endeavor by trial of the air. The problem is still far from solved, but it may be that those who have financed the recent expeditions have been fired by the ancier dream.

IT is impossible as yet to place any trustworthy estimate on the permanence, the significance and the consequences of the recent revolution in Poland. Marshal Pilsudski belongs to the dangerous class of romantic adventurers who seek military glory for their country and increasing welfare for their poorer fellow-countrymen. In existing circumstances it is not possible for a man like him to achieve results in either of these directions, and if it were possible for him to make progress in one of them, his success in that respect would exclude any corresponding success in the other. The new dictator of Poland cannot by any possible tour de force reconcile military glory for his country with popular welfare. Poland needs peace, quiet, retrenchment and stability, and it is improbable that the new dictator can supply any of these boons. His accession will, indeed, add to the instability of an already dangerously unstable international distribution of power in Central Europe. The collapse of the Austrian, the Russian and the German Empires at the end of the War deprived that part of Europe of the centres of political authority upon which law and order rested. The succession states have not either in their domestic or foreign policies succeeded as yet in substituting for their predecessors any equally capable governments. Both internally and externally the new states have problems on their hands which they are incapable of handling alone but which they are unwilling to handle in coöperation with their neighbors.

IN spite of the so-called settlements of their war debts with the United States, neither France nor Italy has been able to stabilize its currency, as is shown by the continued weakness of the franc and the lira on the foreign exchange markets. The dif-

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ficulties of the two currencies arise from different causes. The French budget is not really balanced: certain items of expenditure are still omitted from the official budget; and what looks like a balance of the items included is being upset by a constant decrease in the internal purchasing power of the franc. While this depreciation tends to enlarge the tax collections, it enlarges the current expenses of the government at an even more rapid pace, because taxes levied on the basis of a certain value of the franc are not actually collected until some months later when the franc has depreciated still more, while depreciation is felt in the value of the money spent by the government almost as rapidly as it takes place. This is the progressive disease of advanced inflation which eventually killed the German mark. As the franc keeps dropping its fall is emphasized by the flight of capital from France. Italy on the other hand has an apparently balanced budget, but is bothered by a large import surplus of merchandise. This surplus is not covered by invisible credit items such as emigrant and tourist remittances, foreign investments and shipping or other services; it is made possible only by continued foreign borrowing. It necessitates a large sale of lira which exercises a depressing effect on the lira's exchange value. Payment of interest and principal on foreign debts can only aggravate the exchange difficulty. The exchange cannot be stabilized unless imports are reduced; that in turn will injure Italy's prosperity and may endanger the budget balance.

FALL of the Luther government in Germany and substitution of a cabinet of about the same complexion under the leadership of Marx is significant of little except the unstable equilibrium of political forces in Germany since the last election, in which no bloc secured a clear majority. The occasion of the upset seemed trivial and ridiculous enough. The nationalists and other parties of the right desired the reintroduction of the old German imperial flag. The Luther cabinet sanctioned the measure, but fell at the last moment when deserted by some of the very parties which desired the change. What these forces expected to gain is not clear; as a matter of fact they appear to have gained nothing. Revival of an aggressive nationalist spirit in Germany is a natural accompaniment of the burden imposed by the Dawes payments and the indefensible boundary provisions of the Versailles treaty such as the Polish Corridor. Nevertheless the more sensible German leaders are well aware that a policy provocative toward the Allies can lead to nothing but trouble and can only postpone the economic revival which is essential. If Germany does not make a political issue of the matter, the Dawes settlement is fairly certain to be revised in time on account of the self-interest of the Allies themselves. It is to be hoped that the territorial mistakes of the peace can also be corrected by a spirit of accommodation, and that the nationalists will not be allowed to build up through a long series of years a deep-seated grievance which can only lead to chauvinism, revenge and catastrophe.

AT last Congress is on the point of passing legislation to prepare for another crisis in the anthracite coal industry, in the shape of almost identical bills introduced by Senator Copeland and Representative Parker. These bills provide for three types of activity: continuous information on profits and statistical aspects of the industry to be compiled and published probably by the Bureau of Mines; mediation and conciliation in the event of a dispute; and emergency powers to revive the war control of allocation, distribution and pricing of coal in the event of a strike. Such measures are superficial and nearly worthless: they do not touch the basic maladjustments of the industry. A fact-finding agency even if continuously operating can bring out few important facts that are not already demonstrated; furthermore the facts on profits are bound to be fragmentary and misleading without a standard accounting basis and a principle of valuing the investment of the owners that will be fair to the public and the miners. Mediatory instruments are now available in profusion. Control of distribution in the event of a strike is a poor substitute for strike prevention. There is nothing here to prevent the operators from continuing to accumulate unwarranted monopoly profits, nothing to give the miners a share in those profits by any means except a strike, nothing to make even a strike fruitful. Congress, the administration and the public are either too stupid or too timid to grasp the real anthracite difficulties. In consequence we shall suffer again.

FINAL failure of the long effort to save Sacco and Vanzetti from the electric chair is marked by the decision of the Supreme Court of Massachusetts that their conviction was not invalidated by an improperly conducted trial. These two Italians were convicted five years ago for a payroll robbery and murder, but the case differed from an ordinary one in that the economic radicalism of the accused was vigorously exploited by the prosecution. Radicals freely charged that the case was a "frame-up," that Sacco and Vanzetti though not guilty of the robbery were being prosecuted because of their political and economic opinions. Labor and liberal support was enlisted, not because these forces believed the accused necessarily innocent or on account of sympathy with their views, but because the conduct of their trial appeared to have been biased and because the question of their guilt seemed to have been subordinated in the eyes of the jury to the question of whether on other grounds they should be disapproved. In order to vindicate the fairness of American judicial processes it seemed necessary to have another trial confined more strictly to the

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evidence. The Massachusetts Supreme Court has decided otherwise. Not having had an opportunity to study the opinion we cannot comment on it; but for the sake of the reputation of the administration of justice we regret that it was not found possible to grant a new trial which might be conducted in a spirit such that the most ardent champions of the accused could find no fault with it. We fear that the decision will not satisfy even the moderates that justice has been done.

THE Chicago Federation of Labor, building a radio broadcasting station, has been refused a license on the ground that no wave-lengths are available. It has chosen the same wave-length as that used by W E A F in New York and a station in Seattle, and intends to go ahead, relying on a recent court decision that federal control of radio is unconstitutional. Norman Thomas in New York has on three recent occasions been denied the air on the ground that what he intended to say was controversial. The last address stifled was one supporting a bill introduced in Congress by Senator Dill to place control of radio under a Commission bound to non-partisanship in its administration of the law. Mr. Thomas charged that with control of licenses under the Secretary of Commerce, forces hostile to the administration are not likely to have a fair chance, and that the predominance of the radio "trust" leads to an unwholesome censorship by those in charge of broadcasting stations. His argument was singularly reinforced by the action of the station in question in suppressing it; their excuse was that it might offend the radio monopoly on which they are dependent for supplies. All this points to a dangerous and intolerable situation. Complete laissez-faire in radio is an obvious impossibility, but since control and editorship of some kind must be exercised, it is extremely important that the control and the editorship shall be impartial. If radio is not to be discredited as a mere propaganda agency of those in political and economic power, choice of who is to use the air and what is to be said must be taken from their exclusive jurisdiction.

IN the reorganization of the New York state government favored by both parties and worked out in detail by Charles Evans Hughes, administration of the state's hydro-electric power rights is taken out of the hands of the present Water Power Commission which is controlled by the legislature and subordinate state officials, and is put under the authority of the Governor. But this reform will not go into effect until January 1, 1927. In the meantime the Commission, which is a partisan Republican body, shows signs of going ahead with its plans to lease the most important remaining power rights of the state to private interests, although the Governor opposes this policy and the voters in a referendum at the last election repudiated it in respect to Adirondack water rights. Such action by a moribund Commission, binding the state for many years, would be a public scandal and ought to injure seriously the prestige of the party permitting it and the companies profiting by it.

A CIRCUMSTANCE which may delay action until the new machinery becomes effective is the assertion of joint jurisdiction over the lower Niagara and St. Lawrence power rights by the federal Water Power Commission. Under the federal law navigable waters are subject to federal control; in this case an additional reason for federal jurisdiction is found in the fact that the waters are national boundaries and their use has been subject to treaties with the Dominion of Canada. New York state has long challenged federal jurisdiction, but litigation was temporarily held in abeyance by an understanding that the federal commission would not interfere, it being feared that a victory for New York might upset the constitutionality of the whole federal water power law. The federal commission now contends that its authority is not single, but is shared by the state, and that each party has a veto on the acts of the other. Some agreement may be worked out on this basis. In the meantime premature action by the State Commission may be held up. On the other hand, it is possible that the federal commission would sanction the leases executed by the state either before or after the courts had passed on its claim to jurisdiction.

A FEW weeks ago, as our readers may remember, the Watch and Ward Society of Boston tried to suppress the April issue of The American Mercury and got badly bumped for its pains. Shortly after the self-appointed board of censors in Boston acted, the Post Office Department barred the issue of the Mercury from the mails. The issue had already been distributed, so that the action of the federal authorities had no practical effect; it served merely as testimony that they were eager to enroll themselves as being no more intelligent than the Bostonian gentlemen. H. L. Mencken, editor of The Mercury, believing, we think properly, that an important issue of free speech is involved, determined to fight the action of the Post Office Department even though the distribution of his publication had not in fact been affected by it. We are glad to note that he has been successful in his effort. Federal Judge Julian W. Mack granted an injunction restraining the Postmaster General, and the New York Postmaster, from enforcing the order which prohibits circulation of the April Mercury. Here is a real victory for free speech. It is also, incidentally, an excellent example of the proper use of the injunction, which is so often abused. We congratulate Mr. Mencken, and wish that more of the victims of official censorship would fight back as vigorously and effectively as he has done.

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America and the British Strike

THE recent industrial storm in England gathered to a head suddenly and after a maximum of growling and a minimum of lightning or destruction, almost as quickly subsided. By the time this issue reaches the readers of the New Republic, its rumblings will have almost completely ceased and the newspapers will have directed public attention towards some other adventure or calamity. But, of course, the social and economic predicament in which the strike originated will not have become as negligible as the news about it in the American papers; and the lesson of that predicament for American statesmen will remain as obvious and as much ignored as it was during the painful and anxious days of the crisis. From any far-seeing or even prudent point of view, Americans should look upon the British general strike as a warning. Instead, under the prompting of the President, Henry Ford and their own national egotism, they have regarded it as a sufficient reason for self-congratulation. One result of their complacency will be the confirmation of an already issued invitation to the good or evil genius which brewed the British strike eventually to visit the United States and to submit the American people to an analogous experience and trial.

The leaders of American opinion at present confidently insist that American business has solved the economic problem in its social aspect. They justify the claim by pointing to the wide diffusion in this country of high wages and popular prosperity, the huge accumulation of surplus capital and the steady march of technical improvement. But they should remember that fifty years ago British business was considered to be no less successful. The world placed a similarly flattering estimate on its achievements, and its prophets and court philosophers were equally confident that without any effort on the part of the individual business man except to make money the system of which he was a part contributed by its own momentum to the welfare of the whole community. In 1875 Great Britain had almost as many reasons for complacency as the United States has today. No doubt at that time British labor was a more exploited class than American labor is now, but its standard of living was improving steadily if slowly and, according to the prevailing theory, it would continue to improve until the essentials of a free life were provided for every diligent and competent British worker. No doubt also the first symptoms of the decline of British agriculture were even then plainly visible, but British economists were not disturbed by this fact. They calculated that it would be cheaper and socially more desirable for the British industry to import its food and raw materials and, at any cost to the rural population, to transfer its labor and capital from the farm to the factory. In the flourishing days of the good Queen Victoria, Englishmen argued as devoutly as Americans do now that, so far as they were concerned, everything was for the best in the best of all possible worlds.

Yet everything did not turn out for the best. The improvement in the standard of living of the British worker continued until the end of the nineteenth century, but between 1900 and 1914 part of that improvement was lost, and British labor became increasingly dissatisfied and rebellious. In the meantime agriculture continued to decline and Great Britain became increasingly dependent upon imports for its food supply and for most of its raw materials. There was no diminution in the accumulation of capital, but the capital was invested to a large extend abroad in order to pay for the increasing volume of indispensable imports, and there was a steadily growing expenditure on luxuries. Then the War came, and during its four years, the state was obliged to adopt financial measures which not only seriously diminished the existing accumulations of private capital but appropriated for public purposes a much larger proportion of the income of the country. As soon as it was over the most serious problem which confronted British statesmen was the maintenance for British workers of anything like the former standard of living. They have coped with it by preventing the unemployed from competing too seriously with the employed and by placing the weight of social authority behind the preservation of minimum standards. In the case of the coal industry, which formerly contributed so much to British prosperity but which is now decayed, the problem is peculiarly complicated and difficult. It requires for its solution so much more coöperative action than private business has yet developed that the state has to assume responsibility both for the efficiency of the industry and the standard of living of its employes.

Great Britain is suffering, consequently, from the blindness and negligence of her Victorian forbears. During her period of prosperity, she lacked the social intelligence to study the conditions upon which the prosperity was based and to make provision against their disappearance. British business and statesmanship allowed leakages of social energy and welfare to continue until the old automatic well-being vanished. Without the assistance of the British state the British worker would be forced to accept the starvation wages of the early days of the industrial revolution. In its hour of need, British statesmanship is handicapped by the lack of the large surplus of income over expenditure which British business formerly possessed and wasted.

American business has in 1926 a much more promising opportunity to neutralize poverty and to perpetuate and socialize prosperity than British business had in 1875. The standard of living of the urban population is unusually high. Financiers and business men of all grades are accumulating capital at a prodigiously rapid rate. They have the advan-

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tage of a huge home market and they are not to the same extent dependent for their profits upon the less controllable vicissitudes of foreign markets. They are better organized and equipped to control the conditions of their own property than British business was fifty years ago, and of late years particularly they have in certain conspicuous cases adopted Henry Ford's theory of paying fairly high wages and using this means to keep their wage-earning employes subservient and contented. If American business could develop the additional intelligence and self-control which are required to conserve this prosperity and to modify its social irresponsibility, it could probably succeeed in neutralizing poverty in America and in creating a genuine social democracy. But unfortunately it is even more self-satisfied than British business was fifty years ago and much more headstrong and intolerant of opposition. Its leaders are apparently not aware that their prosperity derives from accidental rather than essential sources.

In America as in Great Britain the surplus is being appropriated by the bankers and the industrialists. It is being used chiefly to stimulate industrial production irrespective of the conditions under which industry can contribute to the welfare of the whole community. The actual although not the necessary result is to discourage agriculture, to make it doubtful whether the rise of wages keeps pace with the march of technical improvement, to encourage wasteful expenditure both on consumers' goods and on salesmanship and to create a powerful class whose prosperity depends upon the preservation of social abuses. American national economy will a generation from now find it more difficult to carry these extravagances than it does today. As natural resources become scarcer, an increasing proportion of the total produce will be absorbed by royalties, rent and by the owners of the strategically important raw materials and positions. It will be less easy to earn profits without keeping wages down and the industrial conflict will assume a more strenuous and irreconcilable form. The American worker will resist any effort to lower his standard of living even more uncompromisingly than his British prototype.

In the meantime a still more dangerous social conflict will be caused by the apparently inexorable sacrifice of agriculture to industry and of rural to urban civilization. American business men and politicians have every incentive to assuage agricultural discontent, and doubtless they really wish to do it, but they seem unable at present to muster up the moral, intellectual and social effort which would be required to keep a wholesome balance between their own prosperity and that of the farmers and the wage-earners. Their attitude is similar to that of the mine owners in Britain. They are drifting on the swelling tide of their own profits, whose unimpaired persistence seems to be guaranteed by their economic and political power, and by the Constitution of the United States. Let us hope they will develop hereafter more enlightenment and social conscience and in this way prevent their economic system from being challenged by the less fortunate class in the community. If they remain as blind as they are now, a crisis analogous to the recent crisis in Great Britain will surely arrive, and they may be constrained by the weakness of their position and the extremity of their fears to pervert it into an opportunity for the salvation of their country by patriotic violence.

Public Interest In Power

THE electric light and power industry has developed to the point where some stock-taking is in order. One may appreciate the value to this country of the great expansion in electrical power, have an admiration for the engineering which has made it possible and a respect for the inventors, engineers and managers who have devoted their energies to it, and still hold with reason that there may be some aspects of the industry which do not merit a blank check of complete approval.

These particular aspects of the industry are matters having to do with finance and regulation, matters over which the inventors and engineers have little control or responsibility. They bear a family resemblance to some of the practices which accompanied the development of our railroads, and are lineal descendants of the wisdom of the Chaldeans, which according to Sandburg is that when some win, others lose and when some lose others win. They do not characterize the whole power industry, but taken together, they constitute a challenge to our system of public utility control which is sufficient to force a national decision on the extent and character of the control now necessary to meet the changed situation. For this reason the New Republic publishes in this number a Power Supplement, edited by H. S. Raushenbush, beginning on page 18.

The industry is already one of the very largest in the country and may be expected in relatively brief time to surpass the railroads in capital invested. Size, however, is in itself no objection. Yet the use of the powers which that size gives may invalidate the simple, small and somewhat penurious protection we have set up for ourselves through state agencies.

The permanent character of the industry is not yet completely delineated. It now furnishes light and power and in some cases heat in the form of gas. Experts tell us that the increasing scarcity of gasoline in the next twenty or thirty years may very possibly lead to securing menthol alchohol for power in internal combustion engines from the coal used in electric generation. The power plants generating by steam may find it increasingly economical

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to by-product their coal and secure the various oils, dyes, gases, medicines and the like from the coal. Either one of these developments will constitute a significant change in the character of the industry. The chances seem to be that in the future we may expect a far greater coördination of light, heat and power than we have yet known.

Interconnected high power transmission lines are linking up more and more of the country. S. Z. Mitchell, President of the Electric Bond and Share, is authority for the statement that before this year is over it will be possible for power generating stations on the Canadian border in Minnesota to come to the aid of stations on the Gulf of Mexico. When the few remaining gaps are closed the line will run from Minnesota through Wisconsin, Illinois, Michigan, Indiana, Ohio, West Virginia, North and South Carolina, Georgia and Alabama to Florida and also to Mississippi and Louisiana. There is already a continuous interconnected system from Boston through Niagara Falls, Pittsburgh, Ohio and Indiana to St. Louis. Similar interconnections are to be made from Montana west to the Pacific and south into Mexico—a distance of 1800 miles.

The interconnection of systems is counted on to secure four main advantages: (1) The elimination of power shortages. During the drought in 1924 the industries of North Carolina, where the hydro-electric plants were unable to meet the demand, were kept in operation by the bucket-brigading of power from Alabama to Georgia to South Carolina to North Carolina. (2) Lower generating costs per unit due to the reduction of expensive spare power units from 50 percent idle capacity to 10 percent with a consequent saving of many millions of dollars which would otherwise be required to equip and maintain these spare units. (3) A similar saving in lower investment per unit of production due to the reduction in the number of small central plants needed. (4) The large scale development of the secondary powers of various hydro-electric developments. The ends of efficiency have not by any means been reached. The Northeastern Super Power Committee reports that one-half billion dollars may still be saved annually in the Northeastern and Middle Atlantic states alone.

The main public interest in the power industry is in the double headed question of securing the maximum efficiencies and a fair share for the public in the financial gains from them. The articles in this supplement discuss various phases of the approach we are making and have yet to make toward the answer. The developments of the past and present have not been without waste, as Mr. Cooke points out in discussing a long term social control which "seeks to reduce to a minimum what the public must pay for facilities constructed today and scrapped tomorrow because of what may appear to be the necessities of intercorporate strife." The extent to which a large share of the increased efficiencies may go to the security holders of the owning and operating companies is indicated in Mr. Gulick's discussion of the function of holding companies.

Certainly the passing on to the small light and power consumer of the advantages of the large scale production and improved technique of the industry is not a completely automatic process, to say the least. The adjoining table shows that in the last six years, while production has increased over

ESSENTIAL FACTS ABOUT THE POWER INDUSTRY
1920-1925

	1920	1921	1922	1923	1924	1925
General Development						
1. Production k.w.h. (in millions)	39,518	36,970	43,559	51,132	54,413	59,517
2. Production relative to 1920	100	93.6%	110.2%	129.3%	138.3%	150.6%
3. Percent of potential waterpower developed	22.8%	....	....	26.1%	....	28.8%
4. Percent of waterpower developed to total power developed	....	....	....	37.4%	36.1%	36.2%
5. Percent of total population living in electric lighted dwellings.	35.1%	37.5%	38.9%	44.7%	50.7%	54.4%
6. Amount of coal per k.w.h. (in lbs.)	3.2	....	....	....	....	2.1
7. Length of transmission lines (in circuit miles)	....	....	....	86,290	94,880	102,270
Financial and Operating						
8. Capitalization end of year (millions)	$4,400	$4,800	$5,200	$5,800	$6,600	$7,500
9. Gross revenues (in millions)	$ 882.7	$ 994.4	$1,072.1	$1,269.5	$1,354	$1,470
10. Gross revenues relative to 1920	100	112.6%	121.4%	143.8%	153.4%	166.5%
11. Operating ratio (July, the peak)	65.9%	56.2%	56.1%	53.2%	56.1%	52.1%
12. Operating ratio relative to 1920	100	85.3%	85.2%	80.7%	85.2%	79.1%
Rates						
13. Retail lighting rates (in cents)	8.0	7.9	7.8	7.7	7.6	7.5
14. Retail rates relative to 1920	100	98.75%	97.5%	96.25%	95%	93.75%
15. Purchasing power of the dollar relative to 1920	100	125.3%	131.7%	126.4%	126.4%	121.2%
16. Retail lighting rates at 1920 purchasing power (cents)	8.0	9.89	10.27	9.73	9.6	9.1
17. Percent increase in retail lighting rates at 1920 purchasing power	100	123.6%	128.3%	121.6%	120%	113.8%
18. Average increase over 1920 in purchasing power of retail lighting rates for five years (1921-1925)	....	....	....	....	....	21.4%

All base figures (lines 1, 3, 4, 5, 6, 7, 8, 9, 11, 13) from the *Electrical World*, January 2, 1926.

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50 percent, gross revenues 66 percent, and the operating ratio (taken at the peaks) has gone down 21 percent from 1920, the retail rates reported by the Electrical World for the country have gone down only 6.25 percent; and in terms of the 1920 dollar they have increased on an average of 21.4 percent over the last five years. The cut of half a cent in current money in six years is nothing to warrant dancing on the sidewalks when the claims of increased efficiency in the industry and the drops in prices which have accompanied the large scale production of other industries are remembered.

We trust our system of regulation of the natural monopoly in power to act as a substitute for competition and to keep prices down for the householders. The large power consumers can always keep their rates down fairly well by the threat of building their own private power plants, and there are over 8,100 such plants today producing 12 billion k.w.h. annually. The householders and other small consumers can, in the main, offer no competition. They must rely upon our system of regulation to protect them.

There is a general impression that there are no important gaps in this system. This is incorrect in several ways. In the first place, as Mr. Hunter points out later in his discussion of the allocation of state and federal jurisdiction over the industry, the wholesaling across state lines is unregulated. So far only 5 percent of the country's power is shipped interstate, but the amount is growing. Pennsylvania, for example, has an import and export of 18 percent and North Carolina of 15 percent. This situation, as the discussion in the following pages of the concentration of control indicates, can be utilized very well by the larger companies. Mr. Merrill's purely descriptive outline of the functioning of the Federal Power Commission at Conowingo will suggest the practices which are beyond even attempted control today in the steam generating plants in the twenty-four states having no effective control over security issues and in all steam generating plants wholesaling in interstate commerce.

There is another general impression to the effect that rates are held down to the place where the investors in the public utilities do not get more than a fair return on their investment. This rate fixing process has been so twisted, according to Mr. Hale's discussion, that the return to the security holders now has very little to do with the sums they invested, and that unless certain legislation can be enacted or the value can be fixed once and for all by contract or by government ownership the rate of return will continue to grow more and more out of relation to the sums actually invested. The stopping of this process before it started was one of the achievements of the coöperation of the State and Federal Commissions at Conowingo, and offers a leverage to the control of the process in the rest of the industry.

The several gaps in our system of regulation, discussed among other phases of the industry in the following articles must be considered in connection with the current proposals of the individual states and the federal government to develop certain power resources or to establish a much more integrated system of mass production and distribution than yet exists. In the past municipal plants were built to secure control over a local situation which is no longer local. The point Mr. King raises that more than control by municipal competition may be desirable now is pertinent in view of the elimination of an increasing number of smaller plants, both municipal and private. Senator Norris has strongly and ably advocated that in a nation-wide system of private ownership it will be to the public advantage to retain at least a few large generating plants in government ownership and operation to act as checks on our system of regulation, a possibility discussed here by Mr. Durand.

The reasons for public interest in the power industry and the forms that interest is taking today are discussed in the following articles. Something more than the $287,500,000 annually which a possible cut in rates of a half cent would give to the power and light users is involved. There is the question of the establishment of claims upon the industry for an income which the country may in time find it as difficult to afford as the claims upon the income of the anthracite industry, for example.

The industry through its very size seems to be moving from the smaller units to the larger, not only technically but politically. It has gone far along the road away from municipal regulation, although there are still nine states where the utilities are not subject to state regulation. The alternative which has been stepping more and more briskly to the front of late is that of leaving things as they are, giving up a large part of the game, or on the other hand, checking once and for all time the possibility of further inflation and working out interstate compacts (so far conspicuous only by their failure) or a supplemental federal control to act where the states find they are unable to act alone in a way that will adequately protect the public.

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Colonel House and Jane Addams

THE Intimate Papers of Colonel House, edited by Prof. Charles Seymour of Yale, contain four references to Jane Addams. One is a quotation from a letter of Lord Bryce, the others have to do with conversations between Colonel House and Miss Addams and several women during the months following the International Congress of Women which was held in The Hague in May, 1915. To me, who was associated with Miss Addams during the period covered by these letters, the statements made by Colonel House seem to call for some comment. Readers of the book will gather the impression that Jane Addams and her companions were breaking in upon the scant leisure of a very great man and importuning him to accept some vague and impossible scheme to end the War, a scheme so foolish that he could not even bother to listen to its details. Certainly the reader is given no details, and since I am obstinate enough still to believe, after all these years, that the plan was sound, sounder than Colonel House's own, I venture to bring it before the bar of public opinion which is much more judicial and informed now than it was in 1922 when Miss Addams published her apologia in Peace and Bread in Time of War.

The International Congress of Women was called together at The Hague in April, 1915, when the War was not yet a year old. The call was sent out by Dutchwomen and was answered by women from fourteen countries, including Great Britain, Belgium, Germany, Austria, Poland and Hungary, who came to voice their protest against war and to urge a settlement on a basis more rational and just than that of force. They were not content simply to protest; they formulated a plan for continuous mediation and they appointed two commissions to visit the chief neutral nations and all the belligerents in order to lay this plan before the premier and minister of foreign affairs in each. One of these commissions, with Emily Greene Balch as the American member, went to the Scandinavian countries and Russia; the other, with Jane Addams at its head, to Holland, England, Germany, Austria, Hungary, Switzerland, Italy and France.

The plan involved the formation under the initiative of the United States (simply because she was the only neutral who could be unafraid in that crisis) of a conference of men from the neutral nations, which should act as an agency of continuous mediation for the settlement of the War. The women at The Hague believed that while offers of mediation by a single nation might be rejected, the same objection might not be felt toward a conference which would include nations of different sympathies, and that while a given offer at a given moment might be refused, proffers made by a continuous conference might in the end meet acceptance and provide the machinery which would lead to peace.

Colonel House's offer of Wilson as sole mediator was quite different, and one can understand the Central Powers feeling that he would be a prejudiced arbitrator. Had the women's plan been adopted, the Scandinavian countries, Switzerland, Holland, Spain and the South American republics would have balanced the pro-Allies bias of the United States. Moreover, to quote Emily Balch, "the difference between his plan and that for a conference of neutral nations was the difference between secret and open diplomacy. But in this instance it happened also to be the difference between sure failure and possible success. House was working underground in contact only with the men in power, on the very terrain where necessarily all the dice were loaded against him. In dealing with those in authority he was dealing with the men who made the War, who were bound to stimulate the fighting spirit and whose whole world of ideas, to say nothing of their personal success, was bound up with the attainment of 'national aspirations.' A conference such as that proposed commanded the factor that alone would hasten the end of the War—exposure of the policies of the war lords to the pressure of the masses of the people everywhere whose interest was peace, not this or that political war aim."

The women at The Hague believed that the device of placing conditional proposals simultaneously before both sides would bring out into the open the real attitudes of governments and that to place sane proposals before the nations would prevent the increase of misunderstanding and bitterness which with each month of the War seemed to make peace more unattainable.

Such a Conference of Neutrals, with scientific but with no diplomatic functions would have encouraged the pacifically inclined ministers in the different governments who were struggling against the militaristic elements and who, in the absence of any such strengthening, were destined, as the event showed, to go down before the bitter-enders. Governments at war cannot ask for negotiations, nor even express a willingness for them, lest it be at once construed by the enemy as a sign of weakness. But—so Miss Addams and Miss Balch were told in all but one capital—if neutral people commanding the respect of those ministers to whom their propositions would be made should study the situation and make proposals over and over again if necessary, something might be found upon which negotiations might start. I cannot see how anyone can read Lord Grey's recent book Twenty-five Years, 1892-1916, without feeling that there were many moments during the War when such a neutral con-

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ference could have secured a hearing, would even have found a welcome in many chancelleries.

The Hague plan involved repeated offers. Can anyone believe that soldiers could have been held in the trenches through 1916 and 1917 if they had known that their governments were refusing offers of peace terms which were fair and reasonable? For it would have been impossible to prevent all discussion of peace terms in the warring countries if such an international body had continually brought forward new propositions for the consideration of the belligerents. No government, these women believed, could insist on gaining by bloodshed what might be obtained by negotiation, nor would it be possible to prolong the War for the sake of treaties among the Allies which could not be openly acknowledged.

Most people have by now forgotten how Europe was feeling in 1915. Peace was then not nearly so impossible as it was two and three years later. Hatred had not yet congealed, atrocity tales had not yet accumulated to monstrous proportions, it was still possible for soldiers to fraternize together in the trenches at Christmas, the bitter-enders were not yet in complete control of the press. Miss Addams and her colleagues made a purely human appeal based on the cruelty and futility of war, protesting as women against the suffering, the waste of life. They found often a surprisingly warm response to this appeal. One minister said that it was the only sensible thing that had crossed his threshold for months, another said that he had often wondered since the War began why women had remained so long silent, because since women cannot join in the fighting, they may make a protest against war which is denied to men. The only men who treated the suggestion with entire indifference were Delcassé, who of course was for war to the uttermost, and the Italians, who had just carried their country in triumphantly on the side of the Allies. Yet the attitude of Salandra and Sonnino was partly offset by the eager interest and warm sympathy of Pope Benedict XV and Cardinal Gasparri.

Colonel House speaks of the efforts of Miss Addams and the others with an amused contempt which I find hard to understand. Had his own plan for bringing the War to an end with a good peace succeeded, one could see why he might regard all others as futile, but since his failed, since he could not bring about peace with Wilson as arbitrator, we may be pardoned for still believing that the plan made at The Hague had in it more elements of success than did his. Of course his attitude was quite like that of most Americans and many Europeans during that time. The world was then still in awe of foreign ministers and diplomats whom it supposed to have mysterious, almost superhuman knowledge and to be guided by facts beyond the understanding of the common man. But if the War has done nothing else it has shattered that illusion and shown us that the men responsible for its outbreak and its prolongation were quite ordinary human beings, often bewildered and appalled by the monster they had let loose but not clear-sighted or courageous enough to control it.

Miss Addams's mission failed not because of her naïveté but rather because of the greater naïveté of a man who held himself powerful enough, single-handed, to break down secret treaties and dictate a just peace to a war-mad world. The plan required that President Wilson put himself at the head of the neutrals in the effort at mediation, but he preferred to stand alone. Colonel House says that he told Miss Addams that the President could not do officially what she proposed, but he could authorize House to make overtures which went much further and carried an implied pledge of the participation of the United States in the War. These overtures were made secretly and it was easy for the warring ministers to ignore or refuse them, for it was all done under cover, nobody could call them to account. The Hague plan would have involved open diplomacy, openly accepted or rejected, with all the consequences.

Those who believed, as Grey did at that time, that only a crushing victory must end the War and that no sacrifice was too great to attain that end naturally looked with scepticism on these efforts. They did not then realize how much more difficult peace became with each month of the War, nor how disastrous were the effects of prolonging the conflict. Miss Addams saw this clearly. In the fall of 1915 she wrote: "To everyone who looks below the surface it is plain that every belligerent power is carrying on a war deadly to itself, that bankruptcy looms ahead, that industrial revolt threatens, not at the moment, but in a none too distant future, that racial stocks are being irreparably depleted. The prestige of Europe, of the Christian Church, of the white race, is being lowered inch by inch with the progress of the struggle which is continually closer to the débâcle of civilization." She showed how the War, like a strike, had got away from its original causes until we heard less and less of what started it and more and more of the method in which it was waged. The letter from Lord Bryce which House quotes is an instance of this curious change in attitude. He blames Miss Addams and other pacifists for not seeing that the War must go on to a decisive victory, and gives as his reason, not the Austrian ultimatum to Serbia, but the massacre of Armenians by Turks, which, he says, the Germans might have prevented. In view of the course pursued by England and France in the Near East after the War when Germany had been quite eliminated, one cannot help wondering if Bryce would not have preferred that that particular statement of his should sink into oblivion.

In Lord Grey's story of his part in the War, after telling of the resignation of the Asquith Coalition government and his own departure from the

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Foreign Office, he allows himself to speculate on what would have happened if a peace which discredited militarism could have been made in 1916. "Two years of war in which expenditure of life and national strength and treasure at their maximum would have been avoided. European markets and trade might have recovered quickly, for the impoverishment and exhaustion would have been much less. The future peace of Europe, with the unreserved coöperation of the United States might have been safer than it is today. Prosperity and security might be today more fair in prospect for us all than the victory of 1918 and the treaties of 1919 have made them; and there would have been a peace with no noxious, secret ideas of 'revanche.' So disappointing have events been since 1919, so dark are the troubles still that we are tempted to find some relief in building castles in the air, and if the future is too clouded for this, we build them in the past."

Lord Grey's responsibility for the prolongation of the War is great, but he disarms his critics by his lack of arrogance, he has no faith in his own omniscience. To Colonel House no such doubts seem to have come. He willed, so we gather, our participation in the War, he overbore Wilson's reluctance and triumphantly carried us in, thereby prolonged the conflict and ensuring a smashing victory and a one-sided peace. But he sees nothing to regret or question, not even now does he ask himself whether some other way might have been tried before the final step was taken. There are a few of us who believe that there was a way and that if Wilson had been willing to follow it there might have been a shortened war, a peace brought about by negotiation before the War had done its worst, before militarism had entrenched itself everywhere and nationalism grown to monstrous proportions, a peace which would have saved America from war-madness and its after-effects, and—who knows?—a League of Nations growing out of this conference of neutrals instead of one formed by victors after years of bitterest conflict.

ALICE HAMILTON.

Our Delinquent Congress

WERE the Angel Gabriel to stalk through the House of Representatives, trumpeting a summons of its 435 members to their doomsday reckoning, his apparition could hardly cause greater havoc than that wrought by the growing demand for a just and lawful reapportionment of the House membership on the basis of population shifts reflected in the 1920 census.

Pious and impious alike, our Congressmen are in a state of political terror bordering on that an orthodox believer in hell fire might be expected to feel if brought face to face with judgment day unshriven and unblessed. It is a time to sear Congressmen's souls, never too rugged, and also to observe them while stripped of the urbanity, callousness and pretensions of less eventful days. It will afford an insight into American political conditions which neither a library of textbooks nor years of consorting with politicians can equal.

Political graves which had become green and glossy through fifteen years of tender virgin growth were burst open when an honest readjustment was proposed on the floor of the House not so long ago; editorial and popular demands for realignment of Congressional boundaries have kept those graves gaping. And from disheveled and far-flung graveyards are creeping forth wraiths of cowardice, hypocrisy and complacency as the baleful, horizon figures which dominate and control the American political system and all its participants. It is a sight to affright the beholder in that it furnishes a cross-section of the body politic that is not fair to look upon; fear, distrust, selfishness, suspicion and pettiness are seen as the motives which animate and move the members of that body, of which the voters are mere outworn appendages except at election time.

The question at issue is a simple one; any child who had learned the ethics of a school playground could meet and solve it. There has been no reapportionment since 1911, following the taking of the 1910 census. The shift of population has brought serious inequalities inconsistent with the basic principle of democratic and representative government. While the Eighth Missouri district enjoys one mature Representative for 138,000 people, Los Angeles, with a 1920 population of 500,000 and 1,200,000 at the present time, must be content with but a single spokesman in the national legislature. Two Detroit districts have only two Representatives, though each runs well over 500,000 in population. This despite the fact that the ideal district based on the 1920 census should average about 215,000 persons.

The Constitution provides in one section for an enumeration every ten years, and in another for representation and taxation based on "numbers." These two provisions seem to make mandatory a reapportionment every decade, particularly as the founding fathers were not an inquisitive lot and did not arrange for taking a census at great expense merely to discover whether another child had been born to the wife of the Mayor of Hogwallah.

Two Congresses since 1920 have neglected to make the changes necessitated by the latest figures, and all efforts to have the Census Committee of this Congress report out a reapportionment bill have failed. Curiously enough, the chairman of the com-

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mittee, E. Hart Fenn, comes from the "rotten borough" state of Connecticut; the rest of the committee is packed with men opposed to reapportionment for obvious reasons. So Congressman H. E. Barbour of California made an attempt to have the House force his bill from the committee's hands and act on it. He it was who rattled the skeletons and rent the shrouds.

There was a day when the ancients' arguments for and against the ability of an angel to pivot on the point of a pin was good logic, compared to the reasoning in the House. Floor Leader Tilson, who also hails from Connecticut, argued that such a move would upset the regular order of business; it would be a revolutionary step. Rules Chairman Snell, representing a district of 207,000 people, insisted that the rules of the House must have precedence over the Constitution inasmuch as that document authorized the House to frame its own traffic regulations. Though Speaker Longworth found all precedent in favor of Mr. Barbour, he declined to rule on such an important question, urging the House to settle it by a roll call vote. This proved to be against reapportionment by 265 to 87.

There has been much misspent indignation over the belief that the House thus held its rules more binding and sacred than the Constitution. That is neither fair nor accurate. Severe criticism of the House logic may be justified—it usually is—but those who defeated reapportionment salved their consciences with the thought that the constitutional provision was not mandatory. Like Sir Galahad, their logic may be faulty, but their hearts are pure; and unless we get a proper readjustment soon, like him, too, their strength will be as the strength of ten.

Furthermore, it is nothing new for Congress to disregard the Constitution. It is in low repute just now, except when it can be lugged out and dusted off to bolster the dry laws, justify raids on the treasury or excuse government action or inaction in time of human need or a nation-wide emergency. No, the Constitution is safe—as safe as it ever has been or will be. Whether its safety or peril is a matter of much consequence, in view of recent developments, is of greater concern. Granted a decent standard of political ethics and conduct and idealism exists, the neglect of constitutional mandates might not prove fatal.

The House action on this day, however, revealed a lack of respect for the fundamental law as well as a code of political morals that harks back to the Middle Ages.

"Why did I vote against it?"

A Democratic member from New York City repeated the question almost savagely, and then summarized the attitude of his colleagues:

"Because I'm afraid of what the Republican Legislature will do to us Democrats if it is spurred into cutting up our districts. It would gerrymander the city so that even Al Smith at the head of the ticket would have difficulty carrying in a single Democratic Congressman. It would disrupt our leadership system and foment trouble within the organization."

Thus Republicans from states with Democratic Legislatures, and Democrats from territory where the Republicans control the legislative body, betrayed a beautiful trust in each other's honor and integrity, and evinced about as much expectation of fair dealing from their political rivals as one snarling dog does from another. Men from states continually engaged in a city-country tug-of-war for control of the Legislature, such as New York and Illinois, feared Congressional action might set too virtuous a precedent. It might induce state lawmakers to revise their constitutions so that New York and Chicago would receive representation proportionate with population, taxes paid and their financial, economic and political importance. Party lines shattered, with party and personal gain as the determining factor, Republicans and Democrats thus fought shoulder to shoulder under the banner of status quo.

At least fourteen members voted against any change because it meant the loss of their own comfortable seats. They said so openly. And they lined up their bridge partners, their luncheon buyers and the husbands of their wives' social companions to help keep them in Washington during the winter months at $10,000 a year, with, perhaps, $4,000 additional in clerk hire. A Congressman is only human and must make expenses—a factor the founding fathers did not take into consideration when they provided for equal representation.

Most of the additional seats would have gone to urban centres, such as Detroit, Cincinnati and Los Angeles. This would have been a blow at the dry cause and the farm bloc's balance of power. So the drys, who swear allegiance only to the Eighteenth amendment, and the farm representatives, who would sell the Constitution with the army and navy thrown in for a $375,000,000 subsidy, saw no good in the proposal.

The Puritanical group from the New England states, with a few exceptions, showed a casuistical streak, along with their fellows from Broadway, the Loop and the rough-riding ranch country. Though Mr. Tilson's state would have gained a place, he vigorously opposed any change. Perhaps he feared that the Connecticut Legislature, controlled by his bitter political foe, J. Henry Roraback, Republican boss of the state, would take it into his Machiavellian head to carve the state so that Mr. Tilson would spend the rest of his life in the academic city of New Haven. Or perhaps the Republican Floor Leader figured that Vermont's cut in representation from two to one, less than its Senate membership, would be a poor way of paying vassalage to President Coolidge. Whatever the real reason, Constitution or no Constitution,

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logic or no logic, Mr. Tilson was a stirring figure as he rallied his motley minions to defense of the established disorder. A keen student, Mr. Tilson probably remembered that this whole question affected representation in the Electoral College as well as in Congress, and as a political problem was of too much importance to settle in haphazard manner.

"My own state gains a member of Congress under any plan of reapportionment," declared the Floor Leader. "Personally, I am not opposed to reapportionment and am not opposing it here, but I am very solicitous about the rules and procedure of the House under which we must do its work here."

More naïve than this were the arguments against reapportionment proposed by the gentlemen who, when they feel they can get away with it, proclaim themselves the political descendants of Jefferson and Madison and Monroe and Washington and Jackson—the Congressmen from below the Mason and Dixon line. In the light of their attitude, it is significant to remember that the only time George Washington took the floor in the constitutional convention was to urge that representation be distributed on the basis of one member to each 30,000 rather than 40,000. But that was over 150 years ago, when the New South of the opulent Pat Harrison and the conservative Finis Garrett was undreamed of.

It seems that in 1920, when the last census was taken, thousands of southern Negroes were still in the North, whither they had trekked in pursuit of real money, not to mention life, liberty and happiness. It would amount to disenfranchisement of these poor black folk, argued the chivalrous Southern gentlemen, to redistrict the South in their absence. Wait a few years—until 1931, say—for the Negroes are jubileeing their way South again and by that time they will have reëntered the body politic. Of course, they will not be able to vote in their own states, but they count and are counted in the enumeration which determines the number of Representatives in Congress.

Where there were not ulterior motives such as these, fear and inertia generated most of the opposition. Every politician and office-holder dreads change; his particular obsession is an overhauling and revision of political boundaries which may endanger reëlection prospects or necessitate more active cultivation of altered districts. It requires only a few years for even second-rate Congressmen to establish contacts with mothers, babies and "the boys," to build up an organization and catalogue his district so that keeping it happy and safe is an easy job; others do it for him, as a rule. The addition of another ward or even a few blocks is as perilous as a leap in the dark. It means making new friends, subsidizing new political hangers-on and a lot of doorbell-ringing and handshaking that is most distasteful. Our Congressmen's duties at Washington are too numerous and too arduous to allow time for such labor, and if that were not the case, they are in no mood to exert themselves. Maintenance of the established order, the usual majorities—these are the things which delight a Congressman's bulging heart.

Then again, enlargement of a man's district may pit him against a popular and ambitious foe, either for renomination or reëlection. It may not mean defeat, but it does mean the expenditure of several thousand dollars in a primary or election contest. And it is a matter of public record that Congressional salaries, even since they raised them a year ago, are pitifully inadequate. They don't cover railroad commutation tickets between home and Washington during a single session.

It would be an epic tale, inspiring and refreshing, to write that the House boldly threw the Constitution out the window in blocking reapportionment; that, at least if done in the grand manner, would have required some courage. But the Constitution did not enter their heads; it was their own political skins they were thinking of most.

Fear of losing out in the political sweepstakes, distrust of their political foes and themselves, hunger for personal and sectional aggrandizement, satisfaction over any order which benefits them no matter the hardships it works on large bodies of the electorate, unwillingness to bestir themselves in new or altered fields, subordination of the nation's needs to their own desires, worship of a cause or movement that might suffer from change, and a general forgetfulness of the ordinary demands of decency and justice—these are the petty factors which entered into the refusal to provide equal representation and make all honest men wish that Patrick Henry, too sparing of his adjectives, had based his defiance of an autocracy just as blind and stupid on the ground that "taxation without *proper* representation is tyranny."

RAY T. TUCKER.

Washington Notes

I HATE having to write this before the fate of that heroic and self-sacrificing, not to say self-satisfied, statesman, George Wharton Pepper, has been decided by the stalwart and more or less intelligent voters of the great state of Pennsylvania, but it cannot be helped. By the time this appears either they will have responded to the, toward the last, almost hysterical appeals to their higher natures of the noble Senator, his earnest and loving colleague and his aged and benevolent chief, or they will have yielded to the low appetite arguments of the uncouth and hard-boiled Vare. The result may make me look foolish, but it is a fact that I still count the gallant Gifford as a bad third. However, this is no time to make predictions. All it is safe for me to say at this juncture is what I have said before, which is in effect that this Pennsylvania fight is by long odds the most interesting and significant of the year. Whatever the outcome the

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result will have a far-reaching effect. For one thing it will teach us some things about the effectiveness of unlimited wealth in politics that we did not know before. I will be in a better position next week to point out some of the larger lessons of this Pennsylvania fight which is really more or less unprecedented in American politics.

With the Pennsylvania battle over interest here in Washington shifts to the rock-ribbed Republican state of Iowa where the venerable Senator Cummins is fighting for his political life against the Hon. Smith Wildman Brookhart, who was rudely heaved out of the Senate a few weeks ago much bruised as to his feelings and ruffled as to his temper. One of the things the Honorable Brookhart took back home with him was a strong conviction that he would have won his fight to hold his seat had it not been for the covert pushes given him from the rear by the peace-loving little gentleman in the White House. The protestations from that quarter to the general effect that Mr. Coolidge had taken no sides in the contest for or against Mr. Brookhart, and had proffered neither advice nor suggestions to any member of the Senate on the subject were not in the least convincing to Mr. Brookhart—nor to anyone else not in a mentally crippled condition.

It was not only the vote against him of Butler and Gillett from Massachusetts and Dale and Green of Vermont that made Mr. Brookhart and his friends feel that surface White House neutrality was a mere cloak behind which the President pushed against him just as hard as he could without being caught. More convincing even than that were the extraordinary efforts of Hanford Macnider, Assistant Secretary of War, who openly appeared at the Capitol and lobbied against Brookhart. It is, when you think it over, rather hard to believe that Mr. Macnider occupying the position he does, would have gone quite as far as he did without knowing something about the way Mr. Coolidge felt. Anyhow, Mr. Brookhart does not believe it and he has taken back home an unshakable conviction that the President joined with the great financial interests to deprive him of his rights. Filled with rage and pain he has plunged into the primaries in Iowa and the report here is the chances are better than even he will win the nomination and return to the Senate in place of Cummins.

That would be about as low a trick as the people of that state could play upon the President. It would damage him more than a little so far as his 1928 prospects are concerned and greatly stimulate the hopes of various Republicans in and out of the Senate who notoriously harbor White House aspirations. The Coolidge-Jardine-Hoover attitude toward the Haugen bill, it seems to me, plays directly into Mr. Brookhart's hands. If, as seems certain, the bill either is killed in Congress or is vetoed by the President, the reaction against Mr. Coolidge in the Corn Belt will be prompt and strong.

Notwithstanding support of the bill by Senator Cummins, its death by whatever form will unquestionably help his opponent. The reasons are plain. The one thing that prevents the bill from becoming law is the hostility of the administration. Just as Brookhart is regarded as the foe of the administration, Cummins is considered its friend. It is not a pleasant position for the Senior Senator from Iowa and no one need think him happy over it.

I think I mentioned at the time that the Brookhart vote did nothing to cement friendly relations between Senator Butler, the recognized closest friend of Mr. Coolidge in the Senate, and Senator Charlie Curtis, of Kansas, the official floor leader. It would not be overstating things to say that the complete and obvious lack of accord between the two is one of the most interesting developments of the session. The way in which they have diverged not only on the Brookhart business, but on other matters of party policy, the latest being the Railroad Labor bill, which Curtis opposed and Butler favored, better than anything else illustrates the utter inability of Mr. Coolidge to inspire confidence or coöperation among his regular party leaders in the Senate. There is considerable sympathy in the Senate and out for Senator Curtis and a general feeling that he has had rather shabby treatment from the President. Time after time, I am told, he has found it impossible to ascertain Mr. Coolidge's attitude toward measures and proposals on which it seemed impossible for him not to have an attitude.

He has been met with a baffling and irritating passivity, a meaningless neutrality beyond which he could not penetrate. Convinced that the President really was neutral—in the Brookhart case for instance—he has returned to the Senate and found Butler, his closest friend and confidant, not only taking an open stand on the subject, but assuming as a Presidential spokesman to lead regular Republicans away from Curtis. I am not surprised that this sort of thing does not sit well on the Kansas Senator. I am not surprised at the report that he privately and vigorously expresses himself upon the whole general subject of the administration and the difficulties of dealing with its chief. Those who know him best say that he is thoroughly fed up with the whole Coolidge régime and with Butler in particular. He would, it is hinted, be glad to drop his position as official floor leader and would do so except for the prestige the place gives him in Kansas where he is up for reëlection this fall. But I don't believe it. Those who, knowing the situation, look for some overt act showing resentment upon the part of Senator Curtis even after his election will, I am sure, be disappointed.

He will not say anything or do anything openly, but he will no more forget the little irritations of this and the last session than he has forgotten that it was Mr. Butler, representing Mr. Coolidge, who at the Republican convention in Cleveland two years ago this summer, vetoed the name of Senator Curtis for the Vice-Presidential nomination. Curtis wanted that nomination and the Old Guard Senators wanted him to have it. Word came from Washington that Curtis would not do, and the tactless Butler was rather brutal in transmitting the word. The Curtis boom died quickly, but no one who knows Curtis thinks he has forgotten who killed it. I am not much given to prophecies, but I believe the time will come when the Kansas Senator will even up his little score with the Coolidge-Butler combination. He wouldn't be human if he did not hope to.

Washington. T. R. B.

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A New Dancer

YOU miss a certain old and familiar and, if the phrase means anything, universal beauty in the art of this new figure in the theatre. The abundant and gracious loveliness and sure musical quality of Raquel Meller's movement, the power and depth of Pavlova's art, the delicate and lovely French classical dancing like Genée's in the tradition of Camargo, which implies the classic ballet at its height, these and many other elements of beauty and poetry and design that we have inherited and have learned to see and respond to, are not present in the art of Miss Angna Enters. But to demand these is like demanding in Cézanne the chiaroscuro of Tintoretto or in Dérain or Picasso the suavity of Titian or the pathetic grace of Watteau or the high prose forms of Raphael. Miss Enters might very well reply that she has nothing really her own to say in these dance forms. That she has something to say is indisputable. That it could not be said in the familiar dance language is equally clear. She does not prove that these other forms are exhausted or tedious, nor do they prove that her forms are ignorant and meaningless.

My first impression at the sight of this new dancer was of painting. I said to myself that this artist has come straight from modern French and German exhibitions of painting. I think I should not have known what to make of her performance, of her first number indeed, if I had never seen the pictures of Manet, Picasso, Cézanne and other moderns, far and near from us in time and place. I should have recognized of course the presence of design. But the language of this design would have been strange to me without the training of modern painting. Then I remembered Miss Enters's own phrase on the program—Compositions in Dance Form. This, then, was what I saw. Compositions in motion, compositions working in the medium of dance elements, movement, light, the human body, costumes, acting, an art of dancing which without being in any sense tableaux vivants, had nevertheless the attack, the content and the mind of painting.

This fact leads immediately to reflections on the next step in a critic's task; he must in his medium of words try to give something of what the art he discusses has given. In the case of Miss Enters the problem is very much like what it is with painting. With the older painting the resort of the critic was either biographical, historical or narrative, he told of the painter's life, the story behind the picture or the incident it set forth, or he talked great thoughts and doctrines of character, morals and living. With the more modern critic of the more modern painting we get amateur thunder, attacks on social ideas, a patter of Freud and Havelock Ellis and infantile digestions of philosophy in its up-to-date aspects; we see the newer art used to hammer on past generations, to knock standards over the head, we get a vast display of clichés and subtleties about fourth dimensions, psychic planes, superworlds and reality, about flames, psychological states, mental ectoplasms. Between the old and the new, then, you have your choice between on the one hand sobriety and a vast outsideness to the nature of art, and on the other antagonism, adolescent mentality, arrogance and a rapturous absence of training and perspective. All of which shows how, with the few great exceptions, critics of art are useless for any purposes but those of publicity, especially in America, and of beating up the intellectual dust, making the air ready for what the painters among the small fry think they are saying and what the great painters are getting said.

The character of Miss Enters's art is peculiar in the kind of approach that it compels of you toward itself. You approach dancing as a rule from within the rhythmic persuasion of the art of dancing itself and then from the realm of music. To what Miss Enters creates the approach is from the outside. You look at it as you look at a canvas or at acting. It is sometimes not dancing at all but mere pantomime, sitting in a chair looking at La Vie Parisienne and waiting for the man with whom she has a rendezvous, as in The Promenade. It is sometimes dancing without any music at all. What she creates is never dependent on the music. The music seems to accompany what the artist is doing rather than she to be following or interpreting it. The Dance of Death, the Cake Walk, the Strauss waltz are themselves with music. What she creates is never dependent on pantomime. The imitation of life and character seems only to accompany it.

The completeness of Miss Enters's achievement consists in what every artist's achievement must consist in when it is successful: the whole translation of every element employed into her art. I can only point out some of the qualities displayed:

The design is unbrokenly discovered in every case, and unbrokenly adhered to. An encore brings out no change, no variation from the forms already presented. In no number is there a place for exaltation, rapture or improvisation of design.

The design is hard. It is almost startlingly pure, bold and courageous in structure and emphasis; the dances are brief and without loose edges, they begin and end; every new pattern is firmly established; every repetition of design is clear and boldly related to the whole composition.

The costumes worn for these various numbers are always remarkable. The country girl's frock in Contredanse, the pink velvet for the Viennese valse, the black dress for the Dance of Death with its undercut of red, the black and green Manet, all these costumes are seen with a painter's eye and then with the eye of the theatre. Around the Manet costume, as it passes through its changing lines and patterns of movement, you can almost see the black outlining of a canvas of his. And yet the fact remains that these costumes are not mere copies or reproductions of pictures; they have the firmness of good painting design but are projected into theatre. Nothing in her performance expresses more than these clothes do Miss Enters's sense of the theatre.

Miss Enters's ideas, the conceptions behind these compositions, are so wholly stated in her own medium that only their general nature can be conveyed in the art of words. Many phases of Miss Enters's designs have that sort of fresh ugliness that we know in the painting of our time and that is itself a form of beauty. The strong heels, the harsh line of the leg, the graceless rhythm or at least new grace of the arms and head, the simplified intensity of the mask, we see these in some of the dances and we have seen them on canvases. The poisonous and macabre too is

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there. The humor is there too, and sometimes wit, boulevard wit and the wit of the Quarter in The Promenade; and that wit that we see in the Moyen Age, where the red figure of the Madonna shows an old Flemish heaviness and naïve beauty, a gauche and touching vision, and at the same time no little reminder of that folk grotesque and gross intuition that we detect in the figures of many a reredos and screen and in the figures, ecstatic and droll at once, on façades like Chartres and Notre Dame, in Quentin Matsys and in many an altarpiece or chapel panel. The easiest indication of this artist's ideas in general is to say that they are those of modern painting, and in the same way are more significant or less, more moving or delightful or less, according to the observer.

These ideas and conceptions of Miss Enters's, impossible to put into words, are stated clearly in every composition that she dances, her technique is solid and consistent throughout, which means that it is her own, however much such certainty and unity of technique may surprise us at so early a point in an artist's development. Her motives are boldly seen and singly designed, by which they acquire their kind of young, hard freshness and beauty. And throughout she works in stage terms: her face, body, manner of thought and use of her medium are all highly theatrical.

STARK YOUNG.

All Abroad!

APRIL 30.—At last I am going abroad! My affairs are in excellent state, many of my friends are going also, and the exchange is very favorable. I have never taken a decision so suddenly. There was Paul coming out of the bank with a letter of credit. "My boat leaves Saturday," he remarked, "why not come too?" "But why not, after all?" I replied, and the thing was done. My passport should be ready tomorrow. I have just bought some foreign money, but very little, as the exchange is feverish, uncertain.

May 6.—Truly it would have been difficult to stay behind. On every hand I hear people talking of their plans. The whole town will be abroad this summer. It's an epidemic.

May 7.—Last night we all met at Paul's, and discussed the universal longing for foreign travel. What is it about that distant place which we so love? Is it the beauty, the strange faces, the wines, the sunlight? Some go simply for change; others are amateurs of churches. Some go because others go, and others go for no reason at all. We did not arrive at any conclusion, though we agreed in pitying those who have been transplanted abroad and live there permanently, rootless. We promised to meet, and noted the addresses of foreign banks.

May 8.—Land is fading out of sight. I cannot believe it, but Paul and I are really on our way to America. Greedily we pore over the guide-books. That vast, that ancient land, will soon be ours to explore. A radiogram announces that the exchange has fallen again: eight dollars to the franc. Paul assures me that if this continues, we shall get as far as Omaha, about which we have always heard so much.

May 9.—We are traveling student third. Poor, but congenial company, like ourselves. We mingle with students and professors from Heidelberg, Liverpool, Asnières, Pinsk. Many have been over before, and give us excellent tips. It appears that the great falls of Niagara are much overrated, and that the chic place to spend the summer is Alabama. We shall see.

May 10.—The dean of the school of languages at Berlitz am Main tells us that America is by no means monolingual, the richest variations being found in the South. This excites Paul, who is fond of dialects. There is a certain uneasiness on board owing to the exchange: seven dollars to the franc. A situation, however, which cannot fail to improve.

May 17.—We have arrived. Such a lot of nonsense about customs and passports. My English is worth nothing to me. Truly these American petty officials are the rudest in the world, as I was led to expect. But they are not above taking a little tip. Our taxi to the Waldorf Astoria, where we took several charming little rooms, was but ninety centimes. At noon the exchange sank to eleven to the franc, and we hurried to avail ourselves of this good fortune at the bank of J. P. Morgan and Company where we found dozens of acquaintances on the same errand.

May 25.—It is now a week we have been in New York, and truly it is the most delightful city. I have never seen so many of my friends in one place before. Every evening we dine at ridiculously cheap little restaurants and then make the rounds of the gay places, often not returning to the hotel until four in the morning. We have discovered a number of most picturesque and lively Negro cabarets. By day, what was left of it, Paul and I would wander on the left bank (known to the Natives as Brooklyn), where we unearthed several small restaurants frequented only by American taxi drivers, famous for their fastidious palates. A number of excellent serious plays are running now, but we think they would be too difficult to understand. We did visit a celebrated old church, the name of which I have forgotten, and the Municipal Museum of Art, but we thought our own art, already sufficiently familiar to us, was over-represented. Paul picked up a beautiful old hook rug for a hundred dollars—seven francs fifty—!

May 26.—We must begin our travels. Our sojourn in New York has cost a little more than we allowed for. And on every hand friends are urging us to go with them, possibly motoring, or sharing a villa on the coast for two or three weeks. Others, returning from hill and cathedral towns, from the interior and the wilder industrial districts, fill us with curiosity. One friend in particular was exuberant in praise of the State House at Columbus (in Ohio), which he claims to be his original discovery.

June 2.—We resisted this, as well as the temptation to go house-boating in Arkansas, and after cashing several hundred francs (the exchange being momentarily sixteen to one), struck off on donkeys through New Jersey. The old farmhouses were enchanting, the weather superb, but the insects were many and the local customs not as beautiful as we had expected.

June 3.—We have sold the donkeys, in the old-world market town of Trenton, and have hired an automobile,

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which seems to be the prevailing native method of locomotion, since we do not wish to be too conspicuous. We are in the heart of America, and our doubtless foreign speech and dress excite some remark.

June 6.—We are in the lower provinces of Wisconsin. We had some difficulty at the border, owing to language, passports and the strained relations between the Eastern and Western governments. The country is very lovely, but rather flat. We stop now and then to inspect an old church for its far-famed stained glass, and note that the inhabitants live in round tower-like edifices known as silos. The natives are reticent, suspicious and fair-haired. In all probability Indians, as their speech, which we cannot understand, and the names of their villages (Kenosha, Wotwogee, Waukesha) would indicate. At Waukesha we bought some more dollars, at 17½ to one.

June 8.—So this is Pittsburgh! Flanked by hills, looming through a pall of smoke, the old mediævalesque fortress impresses us. We visit the factories of the Standard Sanitary Plumbing Company. The finest product of America, whose porcelain curves have made her famous the world over. Paul is very happy. He has bought a complete bathroom set, for a hundred and forty-six francs.

June 10.—A word as to American inns. The smaller they are, such as the statlers (to be found in nearly every village), the better is the food. A most typical and amazing game is played in these hostelries nearly every night. It is called "paging." A young factotum is hired, by the call or by the hour, to shout a name through the corridors. Paul and I had fun for a whole evening "paging" famous generals and academicians. The mispronunciations were highly diverting, and the total cost, if I remember, less than forty centimes.

June 12.—After all, New York is best. We have missed our friends very much, and find them all here again. We decide not to live on the left bank, though it is cheaper.

June 13.—Today is one of the Saints' days. The police are parading up the street. It is pleasant to catch glimpses of the more intimate life and habits of a foreign people.

July 13.—Our trip is over. Tomorrow we sail, full of impressions. Obviously it is a great country, replete with memories, yet I am not sure we have seen the best of it. Paul and I have been busy enough, we have visited eighty-three old churches, nineteen old farmhouses, a world-famous factory, three canals, eight breweries, sixty suspension bridges and seventy-five beautiful penal institutions dating all the way back to early times. We have seen countless pictures, some of the most beautiful of which were on the covers of magazines. We are taking with us a large collection of these rare magazines. Some of them will make exquisite lampshades. I have picked up some handsome antiques. One treasure I particularly prize. It is a very old Stillson wrench, in perfect condition, which I bought in Altoona (near Pennsylvania) for only twenty-eight dollars. It will make a unique paper weight. Last night we gave a farewell party, beginning at Child's and ending at the Club Alabam.

Paul and I estimate that our trip, exclusive of steamship fares, has cost us less than thirty-five thousand, three hundred dollars, or not quite nineteen francs a day apiece.

ROBERT LITTELL.

Betty Perrin

Up the pound path,
  Long o' Lag Lane,
Lives an old woman
  As never saw the rain,
Never saw the sea,
  Nor the sun upon the earth:
Poor Betty Perrin,
  Blind from her birth!

Chick nor child
  Never blessed her day,
Not a loving man
  Ever came her way
With blessing in his heart
  And the blarney on his tongue;
Blind was Betty Perrin
  Since she was young.

She had sisters nine—
  O, such pretty maidies!
Two went on the town,
  But most were decent ladies;
And Betty's pious pride
  Bethanked the Lord for that:
Poor Miss Perrin,
  Blind as a bat!

Both the saucy sisters
  Cherished her and fed,
Bought her beer and skittles
  Until they both were dead.
Dying thus so young,
  Be sure they died of sin:
Pray, lovely daughters,
  Never you begin!

Then the seven sisters
  Put her on the parish,
For they were truly wedded
  And she was hard to nourish.
Betty was a burden,
  A burden from her birth:
It would not hurt the living
  To give her to the earth.

Long o' Lag Lane,
  Up 'ayond the pound,
Still Betty Perrin
  Cumbereth the ground,
Sisterless as Eve
  With the Sword against the Door:
Poor Betty Perrin,
  Blind for evermore!

A. E. COPPARD.

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Power Supplement

Integrated Development of Power

THE art of transmitting electricity has now advanced to the point where enormous volumes of current can be sent economically several hundred miles. For the first time we can go direct to the cheapest sources of power —water power sites and coal mines—wherever they may be and send the energy there generated great distances to points of use. Thus is made possible the webbing of electric facilities and service over great areas—over whole states and even over groups of states—and the creation of wide spreading pools of power. This large-scale integration of the electrical industry, this widely ramifying unification and consolidation of the business of generating, transmitting and distributing electrical energy has given rise to entirely new and portentous problems of government. The lines along which the technical development will proceed have become reasonably clear. But almost no progress has been made in working out adequate social controls for this new leviathan.

With the growing complexity of both technology and our social organization some stock-taking is necessary from time to time if society and government are to lend to the expert the maximum assistance. This does not necessarily imply either criticism or lack of confidence, but is based upon recognition of the fact that there is quite generally a radical difference between the public and private point of view, as the latter is very naturally influenced strongly—sometimes exclusively—by immediate financial results. In current discussions of power problems perhaps the most fundamental way in which the public and private attitudes differ has to do with the time factor. The business man, especially the modern corporation manager, is necessarily interested in the balance sheet. Very crudely stated, this is frequently a two to three years point of view. On the other hand, with society and its agent, government, a generation passes quickly. It is therefore mutually advantageous for the public and private interests involved in power development that some proper balance be established as between these two radically different tempos.

This was the essence of the task set for itself by the Giant Power Board of Pennsylvania. To eliminate the present Topsy-like growth and piecemeal construction which characterizes the industry and to afford some protection against the very obvious menace of an unregulated monopoly in power, it made five recommendations. (1) Mass production, which means abundant and cheap production, at the sources of the raw material. To secure this, and the added economies of by-product recovery, legislation was recommended authorizing (2) the incorporation of giant power generating and giant power transmission companies empowered to construct steam electric stations of not less than 300,000 kilowatts capacity, to condemn land with fifty years' supply of coal, to make and sell coke, gas and other by-products, to sell electric current at wholesale to public service electric companies and to purchase surplus current from other generating stations. (3) Mass transportation to all parts of Pennsylvania by an integrated system of transmission lines. To secure this all other public service power business is to be segregated into three separate classes, major generation, major transmission and distribution. While no one corporation is to be allowed to do more than one of these three kinds of business, there is no prohibition against three such corporations being operated as a unit in order not to disturb existing equities. The corporate segregation of transmission, however, is vital to state control. To cover the sparsely populated areas two new classes of distribution systems are to be authorized, rural electric districts and mutual electric companies.

To cover the whole system there is to be (4) effective and simple regulation from the coal mines to the power consumer, which means the passing on of the abundance and cheapness to him. The rate base for regulation for the giant power generating and transmission companies is to be the amount of money prudently invested in them. For all other companies the present rate base is to be accepted. But any additions to capital will be confined to the actual cost of legitimate investment. Charters and mergers in the future will be authorized only upon an acceptance of this provision. The powers of the Public Service Commission are to be extended to effect a satisfactory control over all security issues, contracts between companies and consumer's rates. (5) Compacts with other states are to be made to secure fair and justly regulated interchange of electric current.

These recommendations for control are based upon a program of development toward which the power industry is to some extent already moving. The engineering proposals include large sized steam generating stations—with capacities as a rule of not less than 650,000 horsepower in a given locality. Such stations are to be located at or near the mines and will supply current to trunk transmission lines reaching 220,000 volts. With these go full development of water powers, the pre-treatment of coal for the recovery of its by-products, trunk line railroad electrification and electric service for the rural population. About the advantage of stations of giant size there can no longer be any debate. Both the New York Edison and the Philadelphia Electric companies have recently announced million h. p. developments, while Mr. Samuel Insull, President of the Commonwealth Edison, has given 1,300,000 h. p. as the probable ultimate size of the new Crawford Avenue station in Chicago. Only a year or two back the average size of the dozen largest Pennsylvania central stations was less than 100,000 kilowatt capacity or "little more than half of the size of a battle-ship power plant designed to operate on the high seas."

Another of the engineering proposals is based upon the long studied conclusion that the power plants of the more or less immediate future would be built at or near the mines—or at least in the coal regions. It should be remembered that in the Eastern section of the United States, at the present time, not much more than 10 percent of all the power used is water power, and under no conceivable scheme of development is this percentage likely to go over 25. The question thus becomes one of large central steam generating stations in the large industrial cities with transmission lines radiating out from there as against plants in the coal regions which can make power available for great areas including the large industrial cities.

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Plants located in the coal regions will have the advantages of low-cost fuel, the opportunity to grade fuel, the efficient use of the low grade fuel which is under modern methods being mined in increasing quantities and the saving in hauling coal to distant central stations, thus taking a large part of the coal load off the burdened railroads. These economies will be found more and more to overbalance the added investment in high power transmission lines. This mine plant development is already accepted as standard practice in England and Germany.

High power, 220,000 volt transmission, still hardly emerged from the experimental stage in California, is coming rapidly in Pennsylvania and ultimately, of course, throughout the East. Three 220,000 volt lines are in process of construction, one of which is to run North and East from the Conowingo development on the lower Susquehanna River in Maryland. As far as announced plans go, these lines stop on the Pennsylvania side of the Delaware River, but a study of the map showing markets for power indicates that their ultimate goal is the New York metropolitan district.

Perhaps the most important reform suggested in these engineering proposals is an integrated system of supply and transmission and distribution. Contracts between the present interconnected companies cover only the exchange of "surplus" current. Each company generates current as cheaply as it can under conditions to be found within the boundaries of its own territory and makes any excess capacity available to the interconnected system. This is what is known as super-power. By contrast the Giant Power plan is to go to the cheapest source wherever located, transmit the power at high voltage and sell to whoever wants to buy. It is mass production and mass transmission. It is not simply an exchange back and forth of small quantities of electricity but essentially bulk transmission one way.

Through mergers, consolidations and reconsolidations we are of course drifting toward a unified electric service. But the route we are taking is a dreadfully costly one to the public, though possibly profitable to promoters and bankers who handle the mass of refunding and reissued securities. Giant Power seeks to reduce to a minimum what the public must pay for facilities constructed today and scrapped tomorrow because of what may appear to be the necessities of intercorporate strife.

The proposal for the pre-treatment of coal for the recovery of its by-products is important as a factor in the reduction of the cost of power. The coal item normally represents about 40 percent of the whole cost of generating current, including fixed charges. Mr. H. W. Brooks, who has lately returned from a trip abroad to study by-product recovery for the U. S. Bureau of Mines, writing recently in Power said:

> The present-day value of the primary by-products alone of low temperature carbonization when recovered in connection with electrical central-station operation will in many cases pay for the entire costs, including fuel, overhead and fixed charges of pre-treatment. In such cases, therefore, the value of the semi-coke (70 to 75 percent of the original coal) used for power generation is clear gain. *In other words, extraction and separate sale of the primary by-products under these conditions permits the use of an efficient fuel for power which costs nothing.*

Perhaps the argument which carries greatest weight against such by-product recovery arises from the question as to what we are to do with the by-products if and when the forty to fifty million tons of coal now used for power in Pennsylvania alone, for example, are processed for their recovery. Memory runs back a very few years to a time when the bee-hive coke oven was in use for making metallurgical coke and when all the by-products were allowed to go "up the flue," and when the same objection was made. But in a recent year 85 per cent of the coal used for coke-making was processed, and there has been no difficulty in disposing of the resulting by-products. There is a rapidly widening market for both gases and oils, the principal resultants of the low temperature recovery process. Gases are required for heat process work and oils in internal combustion engines. The marketing of the by-products of these Giant Power stations should not prove a serious problem.

In fairness to the electric companies it should be stated that under our system of regulation no premium is put upon inventions of the kind which would improve these industrial processes. It is to be regretted that no special means has been discovered of rewarding efficiency and special enterprise. As a matter of actual practice the company which is ten years behind the times gets the same return on its investment as one reasonably up to date.

Giant Power frankly advocates low rates, especially to small consumers and the rural population. Rates for large users are regulated by the competition of the isolated plant. But the small consumers have almost no one to protect their interests. Reductions in rates are virtually at the option of the company. Continued reductions in the cost of producing, generating and transmitting electricity are generally anticipated. For some time to come, as reductions in rates are made, the public interest will be served by having them allocated largely to the small consumers, especially the domestic consumers.

At present in Pennsylvania there is a rate spread of 20 to 1, from ¾ of a cent, the low level for wholesale power, to 16 cents a kilowatt hour, the highest rate for domestic use. No one, of course, advocates that, in the long run, the domestic user, whether in city or on farm, should get service below cost or on any other basis than cost plus a fair profit. But it is a part of American legal theory and practice that in public service matters there should be as little discrimination as possible against the small user—certainly none not dictated by the cost to serve. It would appear that spreads varying from an average of 6 to 1 to extremes of 20 to 1 indicate such discrimination. We must also remember that frequently a lowering of rates brings about such an increased use that net returns are fully maintained.

Regulation finds it very difficult to discuss rates intelligently because the electrical industry is virtually without cost systems. No public service company in Pennsylvania, for example, can be said to base its rates on costs but on "competitive conditions," "commercial considerations," "business judgment born of long experience," "the psychological attitude of the public," etc. Rates are not capable of mathematical demonstration as are costs and selling prices in other industries.

If regulation of public utilities is to be really effective net investment must be made the measure of value as provided in the federal Water Power act in place of cost of reproduction at the date when the valuation is made. This can be done by means of contracts. Thus before a state permits an electric company to use its sovereign right of eminent domain or to enjoy other privileges at the state's disposal such company will agree as to its future expenditures to be content with a value based on actual expenditures.

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The best energies of the electrical industry itself are today being used in effecting mergers and consolidations which carried to a possibly logical conclusion means one integrated electrical system operating throughout the Northeastern section of the United States. Within a decade or two the vision of a single pool of power will almost certainly have been realized. Giant Power seeks not only to expedite this transition but to bring it about at the least cost. But unless the public understands the situation and is alert to the dangers and active in erecting safeguards the next few years of intensive electrical development may saddle succeeding generations with well-nigh insoluble problems. On the other hand if this development is guided by social objectives and with an eye to long-term—as contrasted with immediate profits—electricity may mean the turning of a master leaf in the history of the race.

MORRIS LLEWELLYN COOKE.

The Federal Power Commission at Conowingo

THIS February three regulating bodies formally approved the construction of a 300,000 h.p. hydro-electric project at Conowingo, Md., and the issuance of $52,000,000 in securities to finance it. In importance Conowingo is almost another Muscle Shoals and the successful joint action on it is a long step forward on the road of coöperative regulation. The fact that it is to be located partly in Pennsylvania to serve Philadelphia and partly in Maryland, on a navigable river which is under the jurisdiction of the United States, brought the Pennsylvania and Maryland Public Service Commissions and the Federal Power Commission together to fix the terms under which it was to be built, the securities to be issued and the rates to be charged for the power transmitted interstate. Neither state commission alone had complete jurisdiction. Neither alone could have authorized the project or kept control of its investment or rates. Acting together with the Federal Power Commission the consuming and investing public was completely protected.

The negotiations and hearings, which lasted over a year, demonstrated four important considerations. These take on a greater significance when the interstate growth of the whole power industry is remembered.

First, the necessity of some agency to act in interstate cases where the states concerned do not have complete jurisdiction.

Second, the practicability of securing a satisfactory joint state and federal action through the agency of the Federal Power Commission.

Third, the necessity of careful and competent review of the financial structure and plans of public utilities.

Fourth, the effective value of limiting the capital accounts and the rate base of public utilities to the "actual legitimate investment." This principle underlies the whole Federal Water Power act.

The Conowingo development is part and parcel of the tying-in process, the inter-connection of steam and hydro-electric plants to furnish energy with the least possible outlay in capital expenditure. If the great dam and power house at Conowingo were to stand alone, without interconnections, it would not be able (because of low water) to supply for all the year use more than 50,000 primary h.p., which would be at the prohibitive figure of $1,000 per h.p. installed, many times more than other developments. But the Philadelphia Electric Company, which is primarily responsible for Conowingo, has its own steam generating plants, and needs the hydro station primarily for the three to six heaviest hours of the day. It can then, if necessary, be idle the other twenty hours or so and hold back the entire day's water until it is called on. This is the manner in which it will be operated during times of low water in the river. In that way it can supply for those few hours an amount of energy which would require an installation of from 150,000 to 200,000 h.p. of steam plant.

When there is plenty of water in the river the plant will be operated all the day through, thus saving large quantities of coal which would otherwise be used in the steam plant in Philadelphia. This situation illustrates how competent engineering is taking advantage of all practical economies in the power industry.

A brief glance at the corporate interrelations in this one case will throw light upon the need for some agency which can act in interstate cases where the states themselves have not been granted the necessary authority by their legislatures. At the present time the volume of energy transmitted across state lines is a small part of the total volume of electric energy distributed, and although that proportion is increasing, it is not probable that it will ever be more than a small fraction of the total. Its importance, however, in individual cases, and its relation to the general question of public utility regulation may be far greater than the ratio of the amount of such interstate transfers to the total energy used. The interstate aspects of Muscle Shoals, the St. Lawrence, the Columbia and Colorado River developments, for example, involve public interests too great to be waived aside as inconsequential. It becomes important to determine by whom these insterstate energy transfers are to be regulated; but more important whether they are to be regulated at all.

This question came up very directly at Conowingo. The Supreme Court has held (not as yet in power cases, but in gas cases which are analogous) that (1) where a single company generates energy in one state and transports it into another state and retails it there itself, the retail rate can be regulated by the Public Service Commission of the second state. There is no problem here outside of adequate authority and effective action on the part of state commissions. But the court has, however, also held that (2) where a company generates energy in one state, and transports it into another, and wholesales it there for retailing purposes by another company, then the Public Service Commission of the second state has no power to fix the price which the retailing company must pay for the power. Here the Supreme Court, in the Kansas Natural Gas cases (265 U. S., 298; 44 Sup. Ct., 544), said that:

> The paramount interest is not local but national, admitting of and requiring uniformity of regulation. Such uniformity, even though it be uniformity of governmental non-action, may be highly necessary to preserve equality of opportunity and treatment among the various communities and states concerned.

The corporate interrelations at Conowingo, the official "domiciles" of the several corporations, and the physical facts in the situation were such as to have allowed a large measure of freedom from regulation if the Federal Power Commission, because the project is on a navigable river, had not been able to exercise jurisdiction in addition to that of the states. There would have been in considerable degree the non-action to which the court refers. The Philadelphia Electric Power Company of Pennsylvania ("A")

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leased a part of the Conowingo property in Pennsylvania to the Susquehanna Power Company of Maryland ("B"), which in turn leased this property together with all the Maryland properties, to the Susquehanna Electric Power Company of Maryland ("C"), which in turn was to make a contract to sell the power to the Philadelphia Electric Company ("D"). The last named company is the one primarily interested in the whole project, and the one which has been largely responsible for its promotion. Company "A", which issues all the securities, is "domiciled" in Pennsylvania, and the Pennsylvania Commission has no authority over security issues. There would have been, therefore, no public scrutiny of these securities had not the Federal Power Commission been able to make it.

Companies "A", "B" and "C" are controlled by Company "D". Under this set-up, claimed to be necessary because the project is situated in two states, power would be wholesaled at the state line by a Maryland company ("C") to be transmitted to and retailed in Philadelphia by a different Pennsylvania company ("D"). Under such circumstances the contract between the two companies would have been beyond the jurisdiction of either the Maryland Commission or the Pennsylvania Commission. The Maryland Commission could still regulate the local rates of Company "C" in Maryland, the Pennsylvania Commission likewise could still regulate the local rates of Company "D" in Philadelphia, but it would probably have to accept the contract price as a fixed charge, just as the contracts of the American Telephone and Telegraph Company with its subsidiaries must now be accepted by the State Commissions.

Due to the fact that a federal agency existed with authority in this case not only to pass upon the physical elements of the project but also to see that the rate of return should not be excessive, it was possible to bring about with the coöperation of the two states an effective control over the situation. As a result the various leases of property and contracts for power between these companies were rewritten so as to state in express terms that the annual payment for the power—the "rental"—should be

> subject to such changes in amount or in basis of calculation . . . as may be ordered from time to time by the Public Service Commission of Maryland, the Public Service Commission of Pennsylvania, the Federal Power Commission, or of any of their successors, within the respective powers and jurisdictions of each as determined by the Constitution and laws of the state of Maryland, of the Commonwealth of Pennsylvania and of the United States, respectively. Unless and until so changed, said rental shall be payable as follows,

and a "rental" sufficient to return 7 percent on the actual legitimate investment was then stipulated, the percentage being based on Pennsylvania precedent.

While these and similar provisions in the text of the intercorporate agreements may not of themselves confer upon either of the Commissions any authority not now possessed, they do place each corporation on notice with respect to such regulation and estop them from ever claiming in the future that any agreements between themselves are not subject to review by proper authority, irrespective of whether the transactions are intrastate or interstate.

At Conowingo, as in many other hydro-electric projects on which the Federal Power Commission must pass, the necessity of careful and competent review of the financial structure and plans of the public utilities became evident. There are two main questions to be determined in such cases: the one of investment, which concerns expenditures made or claimed to have been made during the period prior to the issuance of the license, and estimated new expenditures to be made in constructing the project; and the other of the amount of capital to be issued to finance these expenditures. The combination of the two groups of expenditures furnishes the base upon which rates are earned. If it is inflated, rates become higher than they would otherwise need to be.

At Conowingo the applicants presented a claim of "prelicense costs" for the acquisition of lands, for surveys, plans, investigations, etcetera, and for interest on such expenditures, aggregating $9,000,000. The Federal Power Commission is required to find in such cases whether the figures really represent actual legitimate expenditure, or cost, and to eliminate any claims which are not of such character; but the Federal Commission has authority to act only with respect to projects which it licenses. The difficulty of going back over a period, as in this case, of sixteen years, including two reorganizations, is evident, but if the state commissions were given jurisdiction, and the means to exercise it, over the accounts and expenditures of public utility companies from the time they obtain their charters they would be better able to protect the interests of the public. Many state commissions have little authority over the affairs of public utilities until the utilities actually engage in furnishing a public service. Until then the company has matters largely in its own hands. During this development period it issues its initial securities. Not infrequently, as at Conowingo, there are reorganizations and changes in ownership and management. Sometimes there are wasteful expenditures. After this has been going on for several years and operations have finally started, a state commission is very badly handicapped in determining the actual amount that has been legitimately, or even actually, invested in the plant.

When the state commission finally has a rate case and begins to inquire into the investment made it finds that the company has a set of books, that these books have certain "capital accounts" alleged to show an "investment" in its plant of a certain amount. In many cases, however, this figure cannot be relied upon as representing actual investment. In such cases the only recourse of a state commission is likely to be an inventory and appraisal made in order to establish a value for rate-making purposes. Generally speaking, however, the state commissions do not require an adjustment of the investment accounts to conform to the value so found. This means that the corporation continues on its books figures which have no particular relation either to the actual investment or to the fair value of the property. They are simply used to make the balance sheet balance.

As the situation at Conowingo now stands the three Commissions are to come to an agreement on the "prelicense" costs. If that fails, the costs in each state are to be determined by the Commission of that state together with the Federal Power Commission. If there is, after six months, no unanimous agreement the costs will be fixed by the Federal Power Commission alone in accordance with the provisions of the Federal Water Power act of 1920. From the date the license is issued the accounting rules and regulations of the Federal Commission will determine what items of expenditure may be charged to fixed capital.

Both in regard to costs before and after a project is licensed, it is a fundamental principle of the Federal Water Power act that nothing but actual legitimate investment shall be recognized in cases of rate-making or of public purchase of properties under license. So if that act is

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properly administered there can be no such thing as "water" either in the securities or on the books of a licensee of the Federal Commission. Not only is this principle fixed in the federal license for Conowingo, but the orders of the state commissions approving this project are also likewise based upon a recognition of actual legitimate cost and nothing else. It is on this basis that all the leases and contracts among these four companies have been approved.

A careful review of the financial structure and plans of the companies was made; and this too has proved its value. The consumers of the current to be produced and the investors in the securities issued are now both protected against an overestimate of the earning powers of the project. In the first place (with the exception of $50,000 allowance in common stock for services of the Philadelphia Electric Company ["D"] to the enterprise) no securities are authorized except for cash which in turn may be used only to pay for actual properties purchased or services rendered as supported by appropriate vouchers therefor. In the second place, the retirement of the bonds as provided for in the mortgage securing them, will progressively reduce the debt against the properties, and increase the equity of the stockholders who are the real owners.

The Philadelphia Electric Company ("A") filed with the Commission an application for an order authorizing it to sell $38,000,000 of first mortgage bonds, $16,000,000 of 8 percent preferred stock to be sold at $25 a share (a total of $54,000,000) and then, in addition 94,200 shares no par common "and also from time to time hereafter such additional preferred and common stock as may be necessary to complete the initial Conowingo project." The preferred stock was to be callable at $32.50 or at a premium of 30 percent.

The Federal Power Commission authorized the issuance of the $38,000,000 of bonds at 5½ percent interest, and the sale of $36,000,000 at 95, the remaining $2,000,000 to be held in the treasury until needed. This was to avoid the possibility of forced redemption at a premium if the bond issues should prove to be in excess of the fixed maximum of 75 percent of the cost of the project.

In order to protect those ultimately owning and controlling the properties and to guard the general public interests in the undertaking, the Federal Power Commission required certain changes to be made in the proposed financial set-up. Since the preferred stock was to be offered for subscription exclusively to the many thousands of voting stockholders of the Philadelphia Electric Company, who would by purchasing the stock become the real owners of the project, the Commission felt it desirable that the control of the Conowingo project should not pass from the Philadelphia Electric Company and accordingly required that not less than 51 percent of all the authorized common stock (which alone has voting rights) issued by the subsidiary Company ("A") should be held in the treasury of the parent company ("D") free from any form of incumbrance which would divest that company of majority control. Permission to issue the 94,200 shares of no par common was denied and it was required that any issue of common in the future should be for cash only at a par price of $25. All common stock is to have equal voting rights with all other common stock.

The Commission also held that the issuance of the $16,000,000 par value of 8 percent cumulative preferred stock at a permanent callable price of $32.50 on a par value of $25 was not justified. The earnings of the licensee corporations for rentals are held to 7 percent on the actual legitimate investment. Computations showed that for about the first twenty years, the earnings would fail by a small amount to pay an 8 percent dividend on the amount of preferred stock proposed and that there would be no margin for emergencies, or for stock retirement. Under such circumstances and with a redemption price of 130 percent on the proposed stock, refinancing would be impossible until all of the bonds had been retired. The preferred stock issue was therefore reduced to an amount not to exceed one-third of the par value of the bonds ($12,000,000 is now authorized) and the call price of $32.50 per share was limited to approximately ten years after date of issue, thereafter to be reduced to $28 per share.

This, in necessary brevity, is the picture of how at Conowingo, through the joint action of the state and federal agencies, complete protection for the public was secured, and, it is believed, a sounder financial plan worked out for the corporations involved.

I am one of those who believe that utility regulation should be left to the states to the full extent of their powers, but in the many cases involving interstate arrangements the states individually do not have complete authority. If they do not have it, or cannot secure it by agreement or otherwise, there is evidence at Conowingo that action by the United States to supplement the powers of the states can be of valuable and lasting service to both the consuming and the investing public.

O. C. MERRILL.

The Regulation of Electric Rates

IT is often supposed that the public is adequately safeguarded against excessive utility rates, if a commission is established and given authority to fix rates that shall be "reasonable." The public interest is supposed to be protected still more fully if the statute expressly provides that the rates shall be so fixed as to yield no more than a fair return on the "value" of the property. Indeed, if one were to credit the utility representatives, one would believe that the commissions were composed of men who take advantage of every technicality to reduce rates to much less than they should be, and that the companies are given only a meagre protection in the courts' requirements that the rates shall not be "confiscatory"; and that a rate which just avoids being held unconstitutional is still far less than would be "reasonable."

The facts are that the public receives practically no adequate protection from the limited regulation permitted by the courts; and can receive none under private ownership, unless certain statutes are passed, or unless the companies are induced to agree to certain regulatory principles to be described.

I

In order that electric current may be generated and distributed at all, provision has to be made for the necessary expenses of supplying it. This is as true under public as under private ownership, though the amount of the necessary expense may differ in the two cases. Whether the customers shall be required to meet all of these expenses, or more, or less, is another matter. Included in the necessary expenses are the cost of acquiring sites and constructing the plant. These so-called "capital expenses" are quite as truly

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a part of the cost of furnishing the current as are the running expenses. The only essential difference is that capital expenses are incurred for the generation of current the major part of which will be used and paid for years later. But the private individuals from whom sites are bought or services of construction required, are not going to await payment over a series of years. They must be paid relatively soon. Hence somebody must advance the funds. And private investors will not advance funds unless they expect to get, year by year, a return roughly equivalent to what they could get if they invested in other enterprises of similar risk. This "fair return" is thus part of the necessary expense of rendering the service. We are speaking of the fair return, not on the "value" of the property, but on such funds as had to be obtained from private investors.

If the service were rendered by an unregulated private monopoly, it is fairly clear that the management might find it worth while to charge rates that would exceed considerably the necessary expenses. Governmental regulation of the rates by commissions might be thought to prevent this from happening. Regulation, however, has been held to violate the Fourteenth amendment if it goes beyond certain limits. Those limits do not coincide with the necessary expenses of the service. The Supreme Court will not permit a regulation downwards if the result is to reduce the net earnings to less than a fair return on something called "value" or "fair value." The distinction between this amount and the amount of money that had to be obtained from private owners is vital. Let us see of what it consists.

In determining the "value" of the company's property, the Court requires that numerous factors be "taken into consideration," and that they be given "such weight as may be just and right in each case." Prominent among these factors is the cost of reproducing the property. While the Court sometimes sustains a valuation considerably below reproduction cost (depreciated), it also frequently refuses to do so; and it is quite impossible to foretell whether in any particular case the Court will sustain a valuation materially below reproduction cost or not. Now reproduction cost is apt to differ widely from the original amount that had to be paid for a given piece of physical property. The difference is partly nominal, due to the change in the buying power of the dollar, but it is only *partly* nominal. Important changes take place in the cost of acquiring land, for instance, wholly regardless of changes in the value of money. If land values have fallen, the Court may permit (though it will not require) a reduction of rates to a point much below the expense of attracting the necessary capital; and if land values have risen, the Court may require the customers to pay much more than the necessary capital expenses.

Moreover, the Court is apt to insist on the inclusion of an item known as "going concern value" in addition to the "physical" value based predominantly on reproduction cost. This may add still more to the discrepancy between what the company actually had to pay for its existing property and the amount on which it is permitted to earn a return. And funds had to be obtained from investors to install property at the time when it had to be installed, and at the costs then prevailing. They were not called upon to contribute the hypothetical costs of installing it at a later time.

Then again, not all of the money which the company did in fact pay for its existing property constitutes a necessary capital charge. No inconsiderable part of it was contributed by the customers themselves, not by the investors. Nevertheless, under the Supreme Court's rulings, the customers must pay a return not only on the "value," rather than the cost, of property bought with funds contributed by investors, but also on the "value" of property bought out of earnings. This proposition was stated emphatically in the opinion handed down by Justice Butler on April 12 of this year, in the New Jersey Telephone case.

In defence of this position of the Court, it is sometimes contended that property bought from earnings is paid for just as truly by the stockholders as if bought from the proceeds of the sale of a new stock issue; for if the property had not been bought, the stockholders would have been entitled to so much additional dividend; and, the claim runs, it makes no difference in substance whether they received the dividend in cash and then bought stock with it on which new dividends are now payable, or whether they went without the dividend and now receive a new return on what they went without.

This is quite true. But it indicates a weakness in the regulatory process, as limited by the Court. The Court might have held the investors to be entitled to additional return (beyond the fair return on the money they originally invested in the company) *only* to the extent that they have failed to receive the stipulated fair return in the past; had the Court so held, any reinvestment by the company of earnings in excess of the fair return would have represented no sacrifice on the part of the stockholders of anything to which they were entitled; for the alternative of taking a dividend of more than the fair return for that year, would have been prohibited. Or the Court might have reached the same result, not by forbidding the payment of dividends in excess of a fair return, but by insisting that whenever such excess dividends are in fact paid, the amount thereof should be credited to the capital account, or treated as a return of part of the principal; and the fair return to which they are entitled in subsequent years would be proportionately reduced. Had the Court taken this position and based the return on the money which actually had to be contributed by investors, then the result under regulation would be that the customers must pay the necessary cost of production, but no more. Such is not the result, because, as indicated, rate reductions are prohibited unless the investors are still permitted a fair return, not only on property bought with past excess earnings, but also on a "valuation" of all the property that may differ materially from the sums that had to be paid for it; and it may differ not only in number of dollars, but in purchasing power as well.

There is, however, a certain real hardship in reducing the rates to the necessary expense of producing, after many investors have already bought their stock at prices based on long prevailing rates which greatly exceed these necessary expenses. This objection, though not a conclusive one, applies to *any* reduction of net earnings once established, regardless of the basis of valuation. While the Supreme Court permits some reductions, it still inconsistently asserts that it will not permit the wiping out of any market value. Perhaps the explanation of its insistence on reproduction cost and "going value" as elements in its synthetic "fair value" is to be found in its regard for the interests of those who have invested in good faith on the basis of established earnings. The difficulty is, that granting the desirability of requiring consumers to pay more than cost in order to safeguard the legitimate expectations of the innocent investors, there seems no end to the process. If earnings increase again, the prices of securities will rise, and a new crop of innocent investors will buy at the new prices; then when the commission gets time to examine the rates several years later, it will find its hands paralyzed once more.

To avoid this situation, investors must be told *before*

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they invest what earnings they can rely upon. It is obviously too late to notify those who have already invested. It is not too late, however, to notify both those who consider investing money in new enterprises, and those who consider buying the outstanding securities of old companies, what *they* may expect. Statutes might be passed, as advocated by John Bauer in his recent book Effective Regulation of Public Utilities, requiring the commission to put some definite, though more or less arbitrary, figure on properties already existing, and stating that new companies, or new property added to old plants, will be valued at the cost contributed by the investors; the statute could then specify the rate of return in advance, and forbid the distribution to investors of more than the stated amount. Should the company earn more in a given year, the surplus could be put into extensions of the plant (without adding to the capital account), or into an equalization fund, as Doctor Bauer suggests, to safeguard the investors in lean years, or into the public treasury; should the company earn less, investors could be paid dividends from the equalization fund, or from the fund in the public treasury, or the deficit might be added to the capital account on which dividends may be paid in future years when circumstances turn out to be more favorable or when rates have been raised. Under such an arrangement, consumers would be paying more than the necessary costs of producing, in order to avoid too great hardship to previous investors; but this surplus above cost would be fixed once and for all; new investors would buy with full knowledge of what they were to be allowed to get.

There would still be some risk, however, that the company would never be able to earn the permitted return; that risk, however, can usually be compensated by stipulating a rate of return sufficient at the outset to attract the capital despite the risk. If the stipulated rate of return were adhered to, and if the risk lessened, there might even be an increment in the value of the securities. It should be noted, however, that under this arrangement the securities might be worth permanently less than the cost of reproducing the property. That, however, is no hardship to the investors; it is quite immaterial to them what changes have taken place in the cost of reproducing their property, as long as they can still earn the same amount as before; they were never called upon to pay the reproduction cost, and they never will be, until it is time to replace it when worn out. When that time comes, the cost of replacing it, if not taken care of by a depreciation fund, can be added to the capital account. However, though it is no hardship to the investors to have the replacement cost advance, it would be pleasant for them if they could be permitted to compel the customers to pay a fair return on the advance. Though forbidden by the statute, they might succeed in convincing the Court that the statute is in this respect void. One cannot safely predict.

Barring this eventuality, legislation like that suggested is probably the only way, apart from contracts, in which the rates of private companies can be kept within measurable distance of the necessary expense of producing. Ordinary regulation, under statutes specifying merely that the rates shall be "reasonable," subject to judicial restraint, will not accomplish the purpose.

Contracts, however, can sometimes be made between some governmental body and the company, under which rates could be fixed on the principles suggested above. To induce the company to enter such a contract, the government must have some power to control its activities. In the case of traction companies, when their franchises expire, the municipality is in a position to force the company to terminate operations. With this power as a weapon, it may be able to force the company into agreeing to a new franchise in which rates are fixed on these principles. In fact several such "service-at-cost" franchises are in effect already. Where a power company desires to lease a water-power site from the federal government, or where it must obtain the government's consent to the construction of a dam in a navigable stream, the lease or the consent can be conditioned on an agreement to pay the security holders no more than a fair return on the actual legitimate cost to the investors. Such indeed seems to be the purpose of the Federal Water Power act, described in another article in this issue.

II

Could a nearer approach to rates based on the necessary expenses only be made under public ownership and operation? It must be recalled that under public as well as under private ownership, the capital costs have to be met by someone. If the government were constructing new plants, the money must be raised to pay the original cost of acquiring the sites and constructing the plant. If the government issued bonds for this purpose, the interest on the bonds would be one of the annual expenses of production. If the interest and principal were guaranteed, the investors would be surer than under private ownership that they would indeed get the compensation on which they counted when they invested. If the enterprise itself were commercially unable to pay it, the taxpayers would do so. For this reason, the *rate* of return essential to attracting the capital would be lower. What is probably more significant from the present point of view is that if the reproduction cost should increase, neither the customers nor the taxpayers would, under public ownership, have to pay a fair return on that reproduction cost. Moreover, should the rates in any year happen to exceed the necessary expenses, the surplus could be used in the construction of additional plant without adding to the capital costs. This would be equally true as to new enterprises under statutes such as suggested above; but the constitutionality of such statutes remains in doubt.

Suppose now that the government, instead of constructing new plants, were to take over existing ones. In the absence of some agreement like that required under the Federal Water Power act, it would have to pay, not the original cost of constructing them, but the full present value of all the property taken, whether paid for out of earnings or by investors. Here again there would be capital charges fully equal to those required under the regulatory statutes suggested, save only for the interest rate which would be lower on government securities; and this lower interest rate could be secured under private as well as under public ownership if the taxpayers were to guarantee the stipulated returns. The capital charges under government ownership would be as great as under the statutes suggested, but not as great as under present regulatory methods, such as would prevail in the absence of contract or of this suggested legislation, or in the event of its being declared unconstitutional.

Another factor deserves mention. Conditions may arise in which it may be desirable to have the consumers pay more than the necessary expenses of producing, without it being desirable that the investors should receive that surplus. For example, where several power plants are supplying current at different costs (as where one uses water power and another has to resort to steam), it may be socially

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desirable to have the rates of the hydro company as high as those charged for similar current by the steam plant, although the result would be that the hydro consumers would be paying more than the necessary cost of producing *at that plant.* They would be paying no more than those who have to resort to the steam plant for current because of the inability of the hydro plant to supply all the customers. In such a case, if the hydro plant were owned by the government, such surplus as its consumers are required to pay above cost, would accrue automatically to the benefit of the general public. The same result might accrue with a privately owned plant, if the surplus were required to be paid the government. In the case of railroads, the Transportation act of 1920 contains an arrangement similar to this (affecting, however, only one-half the surplus above the fair return.) This arrangement, known as the "recapture clause," has been held constitutional.

It may be said that neither in public ownership, nor under the strict application of the principles of the Federal Water Power act, nor under the proposed regulatory statutes, is there any pecuniary stimulus for the practice of efficiency. This is quite true. There is some doubt, however, as to the effectiveness or economy of stimulating the efficiency of the *management* by increasing the dividends of the *stockholders.* The subject cannot be treated here, but reference may be made to Mr. Charles S. Morgan's Regulation and the Management of Public Utilities, which is almost entirely devoted to this problem. Let us assume, however, that in order to secure efficiency and economy on the part of the management, it is essential that the results of this efficiency and economy be permitted to appear in the returns of the stockholders. It does not follow either that we must abandon all attempts to regulate profits altogether, nor that we must regulate them on the present basis of the Supreme Court's temperamental valuations. The "fair return" to which the stockholders shall be entitled, if the company can earn it, may be defined in the statutes or contracts, not as a definite percentage, but as anything between a lower and an upper figure. Then the rate, when once fixed, could be raised only in case the return fell below the lower figure, and lowered only in case it exceeded the upper figure. To the extent to which the management represents the interests of the stockholders, it would then be worth its while to show sufficient efficiency to keep the return as near as may be to the upper figure.

Under public ownership and operation, of course, the stimulus of increasing the return to investors could scarcely be applicable to the management. Whether the abandonment of this problematical stimulus, together with such other disadvantages as public ownership may possess, is too great a price to pay for its advantages, would depend on the political situation in each case.

What I have tried to emphasize in this paper, is the fact that the present practice of regulation, under the Supreme Court's meddling, is highly unsatisfactory; and that in the absence of public ownership, it is important either to adopt some sort of service-at-cost agreements, or to pass statutes differentiating the treatment of past investment from those still to be made, fixing the former at some arbitrary compromise figure which is not to be expanded in the future, and fixing the latter on cost. To continue to do as we have done in the past, to pass a statute giving a commission power merely to fix "reasonable" rates, or rates to yield a fair return on an undefined something called "value," is to give up the game.

ROBERT L. HALE.

Holding Companies in Power

IN 1925 the new financing done by public utilities amounted to nearly $1,500,000,000, a sum greater than the new capital attracted by the railroads, steel, copper, automobiles, rubber, shipping and oil combined. The exact portion of this which went into electric light and power development is impossible of determination, since so much of the financing was done by holding companies which were interested in other types of utilities such as gas and water.

Although for a number of reasons holding companies in public utilities have not as yet brought about as great a degree of concentration as exists in steel or shoe machinery, the combinations achieved are of such size and extent that in a former day they would have brought the Department of Justice on the run, but now even those without benefit of economics know that public utilities are "natural" monopolies and that consequently combinations in them are not only inevitable but, within limits, desirable. Their promoters, however, apparently are not content with the state of common knowledge, for they have filled the trade and other periodicals with articles setting forth the virtues of their progeny.

In the first place these spokesmen insist that there is a vital difference between the present day holding companies in the power industry and those New Jersey concerns which formed the great bulk of the "trusts" of the late nineties. They contend that the 1926 model "is more properly an investment company" which "enables the investor to put his eggs in more than one basket, even though he has, accurately speaking, only one egg." Whether this process involves the same consequences for the egg as those suffered by the famous one which was made to stand on end remains to be considered. At this point it will be sufficient to call to mind that the combinations effected in the nineties were usually of companies which were competing with each other for the same markets, or which to a considerable degree represented different stages in the production of some commodity or group of commodities. In the former situation combination decreased competition; in the latter an integration of the process from raw material to finished product was secured under one management. A number of combinations, steel for example, accomplished both of these objects. Since the production and distribution of electric current is still to a large extent strictly a local matter, and since competition is avoided by a grant of monopoly from some governmental unit, the functioning of holding companies in the power industry differs in certain essential respects from their operation in most other industries.

Other positive advantages claimed for the holding company are that it can and does secure greater efficiency of operation, provide better service at lower cost to the consumer and finance improvements, extensions and so on more advantageously than any single companies could. Finally, it is contended that the holding company device is the most feasible quick method of combining detached operating companies to secure the advantages just listed. The greater operating efficiency is stated to come from the ability of the holding company to retain the very best engineering ability, to finance research for improving equipment and to purchase the most up-to-date equipment; and from the proved advantages of producing electricity by means of large generating units in large central stations and distributing it over wide areas. By better service the representatives of the holding companies usually mean the extension to small communities of the continuous service

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found in large cities in lieu of the "dusk to dawn" service which until recently was widely prevalent and even yet has not become rare. The financing advantages claimed for the holding company rest upon the diffusion of risks suggested above and the size of the operations. A company directly or indirectly holding the stocks of fifty or more operating concerns can issue its own securities in sufficient volume to interest the investment banking houses and thus secure funds from widespread sources which the individual operating company could not hope to tap. The conclusive proof of all these advantages we are told is that in contrast with nearly everything else we buy, the price of electricity is now 9.9 percent below its price in 1913. So much for the advantages claimed. Now let us examine them.

The operating advantages claimed are unquestionable when the comparison is made with the small isolated operating concern. The superiority of supervision of local operations on matters of general policy by the best trained and most able engineers the central office can secure, and the possibilities of research and of large scale purchasing may likewise be granted almost in toto. But the advantages of large generating plants in large central stations with distribution at high tension over wide areas is not the sole prerogative of holding companies. These precise advantages are available to the last ampere to the big operating company and the combination of a number of them by a holding company in a "horizontal" group has no additional operating advantage unless they are all hooked together for the use of "surplus" power generated in one part of the system.

As a matter of fact the majority of these holding companies have not been put together with the idea of securing the greatest technical efficiency. There are in the light and power industry a large number of managerships competing with each other for the control of operating companies. A study of their operations and of a map of their holdings makes it clear that they have simply acquired properties whenever and wherever such properties have seemed desirable and cheap. Among the conspicuous examples of scattered operation are the Middle West Utilities properties in twenty-one states and Mexico; the American Power and Light operating in eleven states; American Water Works and Electric in sixteen states; National Electric Power in thirteen states; and Cities Service in nineteen states and Canada. The last two named are perhaps the most disjointed in the lot, for not only are their properties scattered from Maine to Oklahoma in the case of the National Electric and from Canada and Connecticut to Oklahoma and Washington in the Cities Service organization; but even in individual states a map of their holdings shows that they have simply picked up isolated plants here, there and yonder. The proportion of the total properties of many of these holding companies which it would be physically possible and technically desirable to hook up in such a fashion as to secure the operating advantages claimed is so small as to render such claims extremely doubtful.

The 9.9 percent reduction in the price of electricity since 1913 is explained by engineers as resulting largely from technical improvements in the industry. The holding companies' claim to a share in it is still further weakened by the knowledge that the figure is based on data from thirty-two large cities where these technical improvements have gone the farthest.

There remains for consideration the contention that holding company financing of public utilities is better for the utilities, for the investors in utilities' securities and for the general public. Although we may begin by admitting the argument in its usual form where the comparison is with the small local operating concern, we should remember that as with the operating argument the comparison makes the unwarranted assumption that small operating companies and far flung holding combinations are the only alternatives. To comprehend the situation a summary statement of the financial structure and financial operations of these holding companies must be made, although it must be kept in mind that there are any number of variations on the usual form described here.

A considerable number of holding companies in the electric light and power business are authorized by their charters to operate such businesses, but the great majority simply hold the securities of operating companies or of other holding companies. The complications introduced are almost incredible until one attempts to ascertain just who does exercise the final directive voice on matters of policy for a particular operating company. The Texas Power and Light Company, for example, now operates under its management a large number of small formerly independent operating concerns. All of the common stock of the Texas Power and Light is held by the Southwestern Power and Light, a holding company. All of the common of the Southwestern is held by the American Power and Light, another holding company whose properties are scattered over the United States. The Electric Bond and Share Company manages and directs the American Power and Light though it does not control a majority of its stock. Finally, the Electric Bond and Share Securities Corporation owns all the capital stock of the Electric Bond and Share Company. The situation of the Texas Power and Light is typical of literally hundreds of other concerns today.

An analysis of the financial structure of twelve typical public utilities holding companies in Professor Dewing's Financial Policy of Corporations indicates that such companies hold on the average about 14 percent of their subsidiaries' bonds, about 50 percent of their preferred stock, and about 90 percent of their common. Of the total aggregate of subsidiaries' securities held by these twelve companies about 15 percent was bonds, about 14 percent preferred stock and about 71 percent common. These constituted in most cases practically the entire assets from which the holding company derived funds with which to pay its charges, assets nearly three-fourths of which represented a claim on earnings only after bonds and preferred stock (and possibly debentures and notes) had received their share. Of the securities of the twelve holding companies, however, 25 percent were bonds, 32 percent preferred stock and 43 percent common. This means that the dividends from a large part of the common stock of the subsidiaries held by the holding company have been transformed for all practical purposes from a contingent to a fixed charge. If the underlying companies have been conservatively capitalized this may be no disadvantage, but public utilities have been notorious for a half-century for overcapitalization.

Nor has the problem of overcapitalization disappeared with the advent of the holding company. It has simply broken out in a different place. Of recent years the competition between rival holding companies to extend their holdings has been terrific. In their eagerness to secure a local property they have in numerous instances given more of their securities for it than it was really worth, with the result of inflating their own capitalization. Obviously, specific examples of this are hard to prove, valuation being one of the most disputed points in the field of utilities

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regulation as well as in the writings of economists. Occasionally, however, an insider states the case as President Alex Dow of the Detroit Edison Company did last October in commenting on the activities of "some holding company or other" which he believed was attempting to secure control of the company and was bidding up its stock. He said he could not understand "any sane management of any holding company" buying into any public utility situation in Michigan at the prices reported as offered for Detroit Edison shares, although he believed that the property had earned and would earn liberal returns on every dollar actually put into the business. "But," he continued, "if the people who have bought control have spent $20,000,000 in money which never went into the property they might just as well kiss that money goodbye."

Another instance may be found in the testimony of President Samuel Ferguson of the Hartford Electric Light Company during the hearings in February of this year before the Connecticut Public Utilities Commission on a proposal to merge certain power properties in Connecticut. The price paid for the stocks of the proposed constituents was $2,700,000. The new company intended to issue bonds for practically this amount, plus 10,000 shares of preferred stock carrying a dividend of $6 a year, plus 25,000 shares of no par common. Complete control was to be retained by the promoters after selling bonds to equal practically their entire expenditure and paying themselves handsomely from stock sales. Mr. Ferguson went straight to the heart of the matter. After pointing out some unquestionable prospective savings in mergers and consolidations he went on, "But what is the value of the economies to the communities if in order to effect them it has been necessary to capitalize the savings for years to come, and in their capitalized forms to donate them either to the former stockholders or to the speculative banker who has brought the parties together? Obviously, the advantages are not mutual in such a case, and as the public utility business is in effect a partnership between capital and the public, I view such action in exactly the same light as I would a transaction in any other line of business partnership in case one partner should take all the profits from a joint transaction."

That others in the industry were alive to the dangers inherent in the rapid expansion pointed out above is easily established. In July 1925, Mr. Samuel Insull, president of one of the largest holding companies in the business, warned his colleagues against the inflation rampant at that time. President H. A. Wagner of the Consolidated Gas, Electric Light and Power Company of Baltimore, Mr. M. S. Sloan, president of the Brooklyn Edison Company, and a number of others have issued similar warnings during the past year.

It must not be supposed that all the advances registered on the market represent the operations of speculators and pools, for a number of them reflect in part increased earning power, but that there has been "wild speculation" is no news to market followers or to New Republic readers who recall Mr. Stuart Chase's article last December on the ballooning of utilities securities. As he brought out there increases of $100 a share from the "high" quotation of one year to the "high" of the next have been rather common since 1922. Figures presented in the January 2, 1926, issue of the Electrical World showed net gains for thirty companies from the closing quotations of 1924 to that of 1925 ranging from .5 of 1 percent to 250 percent. Nine of these were 100 percent or more and fourteen were 50 percent or more.

But not even a bull market can last forever, and after some preliminary creaks in January this one began to slide in February and "busted wide open" in March. Industrials, rails, oils, motors, all were caught sooner or later. Concerns believed by the most competent judges to be absolutely sound saw their stocks drop twenty, thirty, or even 50 percent below the "high" quotation of the first quarter of 1926. The extreme variations of some of the more important public utility stocks during the first quarter of 1926 are shown below.

Fluctuations of Common Stocks, (first quarter, 1926)

Stock Exchange Securities	High	Low
National Power & Light	38⅜	16¾
American & Foreign Power	42⅜	17
North American	67	42
American Water Works & Electric	74	43¾
Electric Power & Light	34½	17⅜
General Gas & Electric	59	34
Curb Securities		
American Gas & Electric	97½	64
American Light & Traction	263	197
American Power & Light	79½	48¼
Electric Investors	74⅜	30¾
General Gas (B, new)	49	28
Middle West Utilities	135	109
Northeastern Power	36⅞	17⅝
Southeastern Power & Light	46¾	20
United Gas & Improvement	144½	84
United Light & Power (A)	143	68
United Light & Power (A, new)	27	13¼

Two or three of these concerns have regained a considerable part of their losses, others have made slight recoveries, but still others have suffered further losses. The leader of the pool which had sky-rocketed United Light and Power proved to be its president. His "resignation" was accepted March 11 after a banking group had taken off the market practically the entire floating supply of the common stocks. Four days after the big smash a previously planned increase of the authorized stock from 500,000 to 3,500,000 of common "A" and from 500,000 to 2,500,000 of common "B" received the approval of the stockholders!

"Well, what of it?" says the holding company defender. "This overcapitalization bugaboo is the bunk. Stock market forces determine the selling price of a security, and if it hasn't the earning power, it won't command the price. Moreover, in most states both the rates and the security issues of the operating companies are regulated by a public service commission so that the public is amply protected."

"Stock market forces" are supposed to include complete information on all relevant facts for the persons in the transactions. When insiders form a pool for the purpose of playing high, low, Jack and the game with the securities of a corporation of which they are the officers, the public is not protected. To the extent that advances in utility securities represented bona fide earning power, as a part of them unquestionably did, they are prima facie evidence that rates could and should be reduced. But the commission regulation of the rates and security issues of the local operating companies does not satisfactorily meet this new holding company situation. The purposes of regulating utility security issues are at least two: to prevent the sale of worthless paper to investors, and to protect the patrons of the utility from exorbitant rates. Such rates may result from the attempt of the utility to meet the interest and dividend charges on an overissue of securities, or on securities which had to be floated at a high cost to the company.

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Even if one can take the cynical attitude that investors do not deserve protection, the patrons of the operating companies are entitled to it. And it is just here that the holding companies seriously impede the provision of that protection. The public service commissions can not regulate the security issues of holding companies. The courts have held that they are not public utilities. But such a widespread collapse of public utility holding company securities as that recently forced by the extravagant speculation in them can not fail to damage the credit of every combination which suffered in it. When the time comes to finance replacements, improvements, or extensions in the operating companies this loss of credit compels the payment of a higher rate for funds than would otherwise have been necessary. In other words, the holding company device operates in such a fashion as largely to defeat the purpose of security regulation.

The net result of all the factors outlined above is difficult to estimate. No one can deny certain advantages for all parties concerned which may result from the development of holding companies in the power industry. If all of them were managed by men who comprehend the dangers in the situation as clearly as some of the gentlemen cited above the importance of those dangers would be greatly reduced. Our recent experience demonstrates, however, that all of the promoters of holding company development in power must be brought to a similar realization of their responsibility to the public. The questions raised by this conclusion, involving the merits of state versus federal regulation, the possibility of abandoning regulation for a policy of public ownership and similar issues, can only be started here. But one thing is certain. We must move now. The holding company managements are rapidly absorbing more and more of the local operating companies. If we delay too long those of us who have faith in the possibilities of "Giant Power" may find that our giant, like a second Gulliver, is bound to earth by the web of the "super-power" systems which have been spun out from the offices of the holding companies.

CHARLES A. GULICK, Jr.

Concentration of Control

THERE is an increasing concentration of control in the power industry. That concentration has certain causes and effects which are important in our common living. To indicate briefly its extent and significance are the two purposes of the article.

THE EXTENT OF CONCENTRATION OF CONTROL

Many industries of the country are now in the process of combining. The power industry is no exception. In 1925 over nine-tenths of all the central station output of 59½ billion k. w. h. was concentrated in 110 companies, and most of these are subsidiaries of large holding companies. The rate of combination accelerated in 1925 when some four hundred companies with a capitalization of approximately two billion dollars were acquired and reacquired by other companies. Over a quarter of the whole capitalization of the power industry was involved in one year. This is doing things on a large scale.

The table at the bottom of this page shows the predominating controls generally attributed in the financial manuals and journals to the five largest holding companies in the industry. Simply on the basis of those of their operating companies producing more than a hundred million k. w. h. annually they are shown here to have a generally conceded control in 1925 over 25,700 million k. w. h., about 43 percent of the total central station output. If all their smaller plants could be counted, their proportion of the national production would be somewhat larger.

The seven next largest companies control another 13,703 million k. w. h. or 23 percent of the national central station output. This brings the total of the twelve largest companies up to 37,400 million k. w. h. or about 66 percent of the total. These seven companies, not included in the table, are the Southeastern Power and Light (4.4 percent), the Edison United Companies, New York (3.7 percent), the American Waterworks and Electric

THE PREDOMINATING CONTROLS OF THE FIVE LARGEST HOLDING COMPANIES IN THE POWER AND LIGHT INDUSTRY IN 1925.

	Percent of National Central Station Output
1. *Insull interests.* Commonwealth Edison, Middle West Utilities, Northwest Utilities, Public Service of Northern Ill., Conn. Light and Power, Central Ill. Public Service, Northern Indiana Gas and Electric, Central Maine Power, Syracuse Lighting, Public Service Gas and Electric, etc., 6,738,000,000 k.w.h.	11.2 percent
2. *North Eastern.* Power Co. of New York which controls the Buffalo, Niagara and Eastern which controls Niagara Falls Power, Niagara, Lockport, and Ontario, Buffalo General Electric; New England Power; Mohawk-Hudson; etc., 6,394,000,000 k.w.h.	10.7 percent
3. *Electric Bond and Share* (Supervision only) Electric Light and Power (2.2 percent) controls Utah Power and Light, Idaho Power, Dallas Power and Light, New Orleans Public Service, American Power and Light (2.8 percent controls Minnesota Power and Light, Southwestern Power and Light, Texas Power and Light, Fort Worth Power and Light, Oil Belt Power, Northwestern Electric, Nebraska Power, Kansas Gas and Electric, Pacific Power and Light; National Power and Light (1.4 percent) controls Birmingham Electric, Houston Lighting and Power, Yadkin River Power, Memphis Power and Light, Carolina Power and Light; American Gas and Electric (supervised and financed) controls (1.3 percent) Appalachian Power, Scranton Electric, Virginian Power, Indiana and Michigan Electric; Lehigh Power Securities controls Pennsylvania Power and Light (1.1 percent) etc., 5,385,000,000 k.w.h.	9.0 percent
4. *North American.* Missouri, Illinois and Iowa group, Wisconsin system, Great Western Power; Cleveland Illuminating; San Joaquin Light and Power, etc., 4,216,000,000 k.w.h.	7.1 percent
5. *Standard Gas and Electric* (Byllesby) controls Duquesne Light, Western States Gas and Electric, Northern States Power, Oklahoma Gas and Electric, Louisville Gas and Electric, Wisconsin Public Service, California Oregon, San Diego Consol. Gas and Electric. 2,973,000,000 k.w.h.	5.0 percent
Total predominating control and interest: 25,706,000,000 k.w.h.	43.0 percent

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(3.7 percent), the Pacific Gas and Electric (3.3 percent), the Southern California Edison (3.3 percent), the Cities Service Company (2.1 percent) and the Stone and Webster companies (2.1 percent).

These lists showing complete and predominant interests do not by any means conclude the extent of influence probably exerted by the major holding companies upon companies in which they are interested in a lesser way financially or on which their directors double. The Electric Bond and Share (which is a company co-equal with the General Electric, consisting of essentially the same stockholders, but having since 1924 a board of directors which does not interlock with the board of the General Electric) is financially interested in six of the parent or subsidiary companies of the eleven other large interests listed here, as well as in companies not falling under their controls. Together with the General Electric it probably has an influence of some sort on over half of the power industry. Its revenues are derived from four main sources: fees for financing the companies and marketing their securities, for supervising operating agreements on a stipulating basis, for designing and building operating units and in dividends and interest from the securities of its supervised and associated companies. They stretch over thirty-three states. The Electric Bond and Share also has interests in five foreign countries through the American and Foreign Power Company, which it controls. The total capitalization of its owned and supervised interests has recently been put at one billion dollars.

The spheres of influence of some of the large holding companies are wider than their stock controls indicate. When stock is widely held a good deal less than 51 percent is necessary for control. Professor Ripley has stated recently in connection with power securities that "with 300,000 scattered holdings, 15 and 20 percent of the votes cannot be outmatched at an election." A writer for the financial papers went so far as to assert that when the United Light and Power was trying several months ago to buy a large interest in Detroit Edison, an independent company, it was the 11 percent interest the North American had in that company which prevented the control from passing hands. Not all of the holding company controls listed here are affected through ownership of the majority of the stock. The North Eastern combination, for example, the largest merger of 1925, involving approximately $600,000,000, is a case where 51 percent control does not always lie in one hand, but where the affiliated companies are so closely connected by large financial ties and interlocking directors as well as a geographical tie-in from Buffalo to Boston that it would be difficult to consider them as anything but one interest.

The Significance of Concentrated Control

Large scale combinations in business or industry must be judged by their function and their results rather than by their size. Objection to them, if there is any, must be on grounds of specific activity running counter to the general welfare. The objection that the concentration of wealth means the concentration of political power (with its paradox that those who favor concentration of wealth do not favor concentration of governmental power), will not be discussed here. Facing this concentration of control in the power industry the main questions, then, are simply two: How do these combinations expect to pay their way? Is that method an added and undue burden upon the public?

The causes for the concentration of control, which are relatively simple matters of economics and industrial strategy, indicate the answers to these two questions. Certain efficiencies and certain opportunities can be secured by concentrated control. The investment cost is lowered through the maximum utilization of the more efficient plants and the interconnection of high power transmission lines. Fewer small new plants have to be constructed and inefficient older plants can be junked. The engineering made available to the smaller companies may be of a grade which they could not afford themselves. Then the securities of the holding companies are held to be easier to market because they are less influenced by local depressions. Qualifications to these two claims of efficiency have been made in the preceding article. They are the factors naturally emphasized by the officers of the holding companies and other spokesmen for the industry.

In addition to the efficiencies of large scale industry there are also opportunities of which some companies avail themselves and others, perhaps, do not. The mergers involve, for example, not only bankers' fees, which are often not inconsiderable items, but a large chance for recapitalization of values, and the possibility (especially through the issuance of non-voting stocks) of getting the benefits of speculation in such recapitalizations into the hands of a relatively few people or organizations. An instance of the process of recapitalization made possible through overlapping of interests (as well as inadequate regulation of utility of securities) was brought out in April during Interstate Commerce Commission hearings into the receivership of the Chicago, Milwaukee and St. Paul Railroad. Some of the security holders had alleged that the premature electrification of the Puget Sound extension of the road was one of the main causes for the bankruptcy, and that it had been unduly urged upon the road by John D. Ryan, president of the Anaconda Copper, who, with six other directors of the road, was interested in various power companies. It was brought out that Mr. Ryan, who is chairman of the Montana Power and director in other power companies, had purchased for a minor company two power sites from the St. Paul for $970,000, which he then immediately capitalized at $5,000,000 and sold to the Montana Power Company. His companies also had contracts to supply the railroad with power. Such recapitalizations are not rare. In many cases the state commissions have no control even over the securities of the operating companies. In other cases they do not exercise it with any effectiveness.

The concentrations of control give some of the interests the edge on the further development of relatively unopened territory. They also secure for the holding companies very profitable contracts, often in the form of blanket percentage charges, to compensate them for their general management and supervision service over the companies they control. The Indiana Public Service Commission, for example, recently found a contract between the Commonwealth Power Corporation (a holding company on which the American Superpower is heavily represented), and the Southern Indiana Gas and Electric, an operating company, whereby the former received 10 percent of the total cost of all extensions and betterments to the railway properties of the latter, 6 percent of the total cost of extensions, additions and betterments to the electric, gas heating and other properties, and 2 percent of the entire gross earnings from all departments of the company. This was by way of compensation for general management and supervision service. The Commission, although granting the increase in

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traction rates asked by the company, denounced the contract as "simply a process of milking the patrons of the utility and obtaining an enhanced return on the investment."

There is a further, similar, opportunity for those companies which may wish to take advantage of it in the form of contracts for interstate wholesaling of power. As another article in this issue points out, this is at present unregulated. Fictitiously different corporate entities may be set up by the parent company which will make contracts with each other across the state lines for the sale of power at wholesale—contracts which the state commission have been forced by the courts to recognize. Certainly the whole corporate arrangement at Conowingo, under the control of the Philadelphia Electric, discussed elsewhere, seems to have been for such a purpose. Recently hearings before the Maryland Public Service Commission brought out that the Consolidated Gas, Electric Light and Power of Baltimore had a contract with the Pennsylvania Water and Power from whose Holtwood plant (in Pennsylvania) the Baltimore company purchases much of its energy. A further ten year contract at 6 mills per k. w. h. was contemplated, although it was brought out that power is generated in Baltimore at 4.9 mills per k. w. h. The two companies have three directors and officers in common. Recently the President of the Republic Railway and Light in his annual report explained the company's plan to set up four different subsidiaries in Pennsylvania and Ohio with the suggestive (possibly ambiguous) words: "The proposed incorporation of the electric properties separately in the two states has obvious advantages in simplifying the relations of the system with the respective utility commissions."

Here, in rough outline, are the main ways in which concentrated control expects to pay for itself. It brings certain efficiencies. Also there are certain gaps in our regulatory structure which open opportunities for those who care to take advantage of them. At the moment, in view of the new construction in the industry, possibly the most important of these gaps is the opportunity for overcapitalization of new properties on the ground of the great expected earning capacity they have through the interconnections which the holding company has secured for them. In the not distant future the gap in interstate regulation may prove to be the most important of the two.

It is as yet impossible to weigh quantitatively the economies of concentrated control against such of the pleasant opportunities as it may be utilizing to their full. Some answer, however, might be attempted to the question of whether, in spite of the ascertainable efficiencies, combination means higher rates than would be necessary if some of the opportunities offered by our inadequate system of regulation were blocked. Spokesmen for the industry, on the whole, declare that it does not, that the functions of the holding companies do not affect the local rates. To such a statement there is, even within the industry, the sort of dissension offered by the annual report of the Hartford Electric Light, in which the President explains why that company has not become part of a combination. He said:

> Directors are fully cognizant of the tendency toward mergers and consolidations which has prevailed in the industry during the past year, but none of the suggestions or proposals made to date would seem to offer any material advantage to the stockholders to offset the higher price of current to them and to the public which must result from the recapitalization of the company on a much larger scale by a possible purchaser if the sale were to be effected at or above the present market prices.

The same point of view is also expressed by the Chairman of the Massachusetts Department of Public Utilities, Henry A. Atwill, who in the course of asking for the right to ratify contracts between local and foreign utilities told a legislative committee:

> What purpose is there in these mergers pyramiding their paper on top of the local companies? Who is going to pay interest and dividends on all that paper?
>
> The only way in which it will be possible to make these various pieces of paper the mergers are issuing good is, it seems to me, through their being able to obtain valuable contracts with the distributing local companies, contracts which will run for a long number of years, and although not apparently bearing excessive terms at the outset, at least to the public eye, yet in the process of time, they having the field, with the growth of the business and the growth in the electric industry increasing much faster than the growth of invested capital—by growth in the volume of business they will be able to get enough profit through these contracts to pay interest upon a lot of paper which represents practically nothing at the present time except various good wills and theories of people that the value of these various properties are such that they should be allowed to issue the paper against them.

The only time where there is a really effective check upon concentrated ownership is where the interstate transmission of water generated power is involved and the Federal Power Commission has the power to prevent overcapitalization of the licensed properties, and can, if and when the coöperation of the state commissions involved is secured, help to check the attempt to avoid all regulation over interstate wholesaling. There is no similar authority in steam generated power to insist upon legitimate actual investment only as a rate base for the development and for the interstate wholesaling of steam power. This gives a concentrated control an opportunity to lay down and establish a rate structure and a series of claims upon the public which we will have a hard time trying to undo.

The public service commissions of the country are gradually waking up to the fact that they have something to wake up to. By themselves they do not have sufficient power to close the gaps in regulation which concentrated control is finding so useful for its purposes.

H. S. RAUSHENBUSH.

The Need for Public Yardsticks

Muscle Shoals, Boulder Canyon, California, St. Lawrence

MONOPOLY, plus some form of public control, has long been recognized as axiomatic in the field of utility operation. It is now coming to be seen that competition between the different methods of public control is equally necessary. If we are to keep the agencies of control on their toes and get results for the public, we must set up comparable large-scale power operations, put them to work under the different forms of control, and let them compete to win the verdict of experience as to whether private ownership and operation plus commission regulation, or public ownership and operation, is best.

This would enable the country ultimately to settle a long time controversy by the test of fact instead of argument.

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Meantime, it would put each system on its mettle to show its merits and would give the public at large the benefit of a very salutary competition in control methods.

We are living in the midst of an already established nation-wide system of private ownership and operation with regulation by commission. There is now at our doors an unparalleled opportunity to set up in the four corners of the nation a competing system of public ownership and operation big enough to clinch with the present system, in a struggle for the blue ribbon of public favor. We mightily need just this test on the merit of results, not of propaganda and counter-propaganda.

Take an imaginary aeroplane photograph of the United States dotted all over with private power stations and netted with private transmission wires, now hooking up rapidly in private super-power connections. Mark with red crosses on that map the great sites of the St. Lawrence river in the Northeast; Muscle Shoals in the Southeast; Boulder Dam, Los Angeles, and the undeveloped sites of the whole state of California in the Southwest; and in the Northwest the Seattle municipal power development, which can become a nucleus for a public power system in that region.

Circles drawn from these red crosses as centres, with radii of 300 to 500 miles as the transmission distance, would indicate the field of direct power supply from these great sites. In point of power available, of the extent of the areas covered and the character of the economic development of those areas, these great power fields in the four corners of the country would be directly comparable with the large private power developments in the same and other regions.

Such a public yardstick would be of inestimable value to the American people. Comparison between results under commission regulation of private operation and under this scale of public operation would have a vital meaning. It would be a yardstick more convincing than our scattered municipal examples. It would be an American yardstick, more convincing to our people than the Ontario Hydro.

Los Angeles and Seattle are municipal enterprises, now producing 480 and 218 million k. w. h. respectively. Muscle Shoals is to remain in public ownership, but whether or not it is to be leased and privately operated is still the unfinished business of this Congress. Boulder Dam, under the present proposals which are supported by the Coolidge administration, is to be a public operation, as Muscle Shoals originally was. The California proposal is for state construction and operation, already twice proposed and twice rejected by popular vote. In Washington the idea of an extended public development with the Seattle unit as a nucleus is still inchoate, and the development of the St. Lawrence as a public project has only recently come in for serious consideration.

At Muscle Shoals the United States invested $158,000,000. The plant was built by government engineers. It can furnish the largest block of water power east of the Rockies outside of Niagara and the St. Lawrence. The total output after further improvements is expected to be between two and three billion k. w. h. annually. At present army engineers are already operating the dam and power house and selling surplus power on terms that permit cancelation without notice for $1,000 a day. As soon as larger transmission lines can be built this can be increased to $4,000 a day. A contract for steady supply would bring higher unit prices and much larger revenues. The property can in a short time be placed on a paying basis without permitting control to pass from the hands of the public. Senator Norris and a few others have been fighting against a great public indifference and a great corporate activity with the hope of retaining this development to serve its essential function as a yardstick to a privately owned industry.

From the struggle between private operation (under commission regulation) and straight public ownership have come various hybrid proposals. The first of these is the plan for public ownership and private operation by lessees, which seems to be slated for Muscle Shoals, unless it can still be upset by the advocates of regulation through the example of a few government owned plants. The second hybrid, which is now offered for Boulder Dam and New York state's development of the St. Lawrence and Niagara projects, is publicly operated generation and private distribution of the power.

The adoption of publicly operated generation and private distribution at Boulder Canyon was shown by Secretary of the Interior Work to repay the entire cost of construction not only of the dam but of the All American Canal within twenty-five years, even at the very low wholesale rate of 3 mills per k. w. h.

Looked straight in the eye, these hybrid intermediate plans for operation at Muscle Shoals, Boulder Canyon and in New York state seem a plain admission by their sponsors that the public will not stand for commission control of private ownership and operation in these tremendously significant key powers. The tactical position would seem to be one in which the advocates of straight public operation of these particular power developments should continue to press their principle instead of accepting compromise.

Insistence on carrying forward a complete public yardstick development and operation of all four of the great corner-post power sites of the nation is desirable for many reasons.

Foremost is this: the total output of hydro-electric energy alone of the United States for 1925 was about 21½ billion kilowatt hours; and by 1935 it is expected to be about 65 billion k. w. h. This last is the equivalent of the energy of 79,543,379 men for a year on a 24 hour shift, or 238,630,137 men on three eight hour shifts—more than double our total population. For a half century it would be a staggering total of man power.

Advocates of public operation claim with much showing of fact and argument that under their system America will get this 65 billion kilowatt hours at a far lower price than she will have to pay under commission regulation of private operation. Advocates of regulated private operation claim that every advantage of public operation will be more than offset by the admittedly grave possibilities of evil they picture as attendant upon "government in business."

A tremendous stake is at issue between the two claims. It amounts in effect to this: Shall an army of 79,500,000 electrical men be working year in and year out at a large profit to the few private power utilities, or shall they be working at cost to the public?

A large-scale experiment to test the claims for public operation would not be fatal under any conceivable circumstances. Even if it failed, the plants could be put into private hands with relatively little loss. If it succeeded the value of success would be enormous to the welfare of America. It would furnish such a competitive example that rates under commission regulation of private systems might well be forced to almost corresponding levels.

Of course, a large-scale experiment foredoomed to failure had better not be started; but a great body of fact and

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argument already exists sufficient to show a strong prima facie case for some public operation.

Ontario Hydro's public rates compared with our regulated rates go directly to the point with 20 years of experience, though Canadian. Compare the certified Hydro bill of Rev. J. J. Morton, of Hamilton, Ontario, for 624 kilowatt hours for domestic service in November and December, 1924, amount $7.99 (or a trifle over 1¼ cents per k.w.h.), with what he would have to pay if he moved to the States (National Electric Light Association's official hand book of rates):

In Ontario	624 k.w.h.	$ 7.99
In U. S. A. (private plants)	624 k.w.h.	$17.16 to $63.20

—as follows: Birmingham, $31.89; Little Rock, $49; Jackson, Miss., $61.79; New Orleans, $36.39; Louisville, $39.62; Knoxville, $27.30; Nashville, $40.72; Chattanooga, $18.00; Asheville, $40.90; Columbia, S. C., $39.70; Greenville, S. C., $43.66; Atlanta, $35.43; Pensacola, $63.20; St. Louis, $17.16; East St. Louis, $24.09; Cincinnati, $22.74; Evansville, Ind., $34.83.

This significant comparison is from a recent bulletin by Judson King, Secretary of the National Popular Government League, Washington, D. C. Rates for commercial power are, of course, not so highly disproportionate.

An impelling reason for the immediate establishment of publicly operated, yardstick power systems lies in the astounding recent and prospective growth of the industry—in great technical strides, in super-power hook-ups, in mounting capitalization, in rapidly concentrating private control.

Regulation, however honest and aggressive, was up against sufficiently difficult problems before the merger period of the past few years. Now are added the problems of the great ramifying interstate groups.

The ruling of a present majority of the United States Supreme Court on reproduction cost, present value, "going concern value," etc., as elements in the valuation of the investment in utilities, constitutes another reason for establishing public yardsticks. With them we can measure the effect of the principle of original cost of investment (which is the sole investment account in public enterprises) with the effect of these other bases allowed by the Court in privately owned utilities.

The cost of construction of a public power system is a matter of bookkeeping. The amount actually expended is the amount to be amortized—no more. Its effect on rates is known and fixed. It cannot increase. If these great power possibilities of the four corners of the United States are publicly undertaken and carried through, investment will be an unchanging factor of the rates. If they are left to private construction and operation, the companies as time goes on may add to the investment cost many other elements of value not representing any actual money expended. The public will then have to pay rates, not on the basis of what the stockholders have put into the property, but of what it is "worth" to them, even though that worth is due either to having overcharged the public in the past or to the gift of a public franchise. The railroad rate situation will be repeated.

Not only would public development of these great remaining sites keep the investment fixed at cost, but interest charges on the investment would be at a lower rate. This is, of course, admitted in the industry. The saving through cheaper financing by the government may not be over ½ cent per kilowatt hour. Even at that, the saving on the expected total annual kilowatt production of these corner-posts of a public system would aggregate $200,000,000 a year.

The industry seems now to agree that about 80 percent of the cost per kilowatt hour delivered to the consumer is in distribution and only 20 percent in generation. This is a strong reason for a public experiment in distribution. If at this stage we adopt the hybrid system of public generation and private distribution, we shall lose the benefit of a public yardstick on this admittedly big end of the cost. The question there is whether local distribution should shoot the rates up to their present level when we consider that generation cost at Muscle Shoals will be from 2 to 6 *mills* per kilowatt hour, and at Boulder Dam 3 *mills*, and that Ontario Hydro sends current from Niagara Falls to Windsor, 252 miles, at a transmission cost of 3 *mills* per kilowatt hour; and that high experts testify Muscle Shoals and Boulder Dam energy can be transmitted at the same cost.

Public operation is of course a daily first hand regulation of a public monopoly by actual control. Commission regulation of a private monopoly is at best periodic, and is a superimposed cost which adds in tax rates at least part of what it saves in power rates. The more earnest and searching the effort of commissions to go to the bottom of private investment and operating accounts and to find their way through the mazes of merger financing, the greater the expense to the taxpayers in maintaining the necessary force of experts and clerks. The result is two armies—one to operate, the other to watch the operation. From this point of view public ownership has a decided economy.

Here is the picture at a glance: The Aluminum Company of America, the du Pont de Nemours Company, and the General Electric Company are seeking a franchise on the St. Lawrence River project; the Muscle Shoals lease seems almost in the grasp of those who long have been reaching for it; the Boulder Dam project, the California state project and further expansion of public operation in the state of Washington are being fought by the California Edison, Southern Pacific, Stone and Webster and other powerful utility groups of the western country. The success of such interests in their plans would remove the last chance to establish a substantial competition to determine how best to regulate power monopolies and to determine in fact whether government in the power business is a danger or a blessing.

Public operation is a test of public character just as private operation is a test of private character. We have had abundant opportunity to judge private character in the large-scale operation of utilities. The chance to try out public character on a similar scale is an imperative need today.

Competition in method might eliminate the weaknesses and strengthen the strength of both private and public character. Now is the strategic time to inaugurate the experiment. A year from now may be too late.

WALTER DURAND.

Control by City Competition

IN the face of the increased growth of super-power which is rendering economically obsolete the small independent local electric plants, private and municipal alike, what is to become of public ownership? Can a city plant continue in operation in competition with the manifestly lower rates at which energy might be furnished by a private super-power system which is interconnected physically and finan-

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cially with the huge national power combinations which have already come into being?

In considering these matters it is to be observed first that those managing these consolidations have thus far evinced slight disposition to share with the consuming public the marked economies super-power has made possible. Rates —especially domestic, commercial and small power rates— remain substantially at their former high levels. The slight drop in rates has been insignificant compared to the increase in large-scale production. The hoped-for protection to the public from state and municipal regulating commissions has failed to materialize. The power men have been too active and too powerful in politics.

The net result of all these forces is that the conflict between public and private ownership has been intensified, not dissolved. In the field of small municipalities some have abandoned public ownership and accepted service from some super-power sytem; others have maintained their independence and equally low rates by the use of the oil burning Diesel engine.

In larger cities, some have assumed a monopoly of the electrical business within their borders, others have gone into direct competition with the private companies.

As an illustration of what may be accomplished by way of competition on the part of a vigorous citizenship determined upon reasonable electric rates, the case of Seattle is suggestive, and the examples of Los Angeles, Cleveland, Omaha, Tacoma, Jacksonville, Fla., Springfield, Ill., and many others should not be overlooked in casting up a general survey of our present system of regulation.

A large number of the cities and towns of western Washington including Seattle are served by the Puget Sound Power and Light Company, a super-power hydro-electric system owned by the Stone and Webster interests of Boston. In Seattle electricity is so cheap that it is extensively used for heating and cooking as well as customary domestic purposes. A five-room house can be "run" with an average of 518 k.w.h. per month. For this service the company charges $8.98. In Bellingham, however, it charges for the same service, $17.80; in Puyallup, $18.55; in Aberdeen, $32.50 and like rates in other towns which are all under the protection of the state Board of Public Works— the regulating commission.

The startling difference between the Seattle rate and those charged in other cities can be accounted for on no other grounds than the presence in Seattle of a publicly owned and operated City plant which also charges only $8.98 for 518 k.w.h. The deduction is strengthened by the fact that in Yakima and Walla Walla, served by the Electric Bond and Share Company, the charges are $24.79, and in Spokane, served by the Washington Power Company, $16.94. In all instances water operated power is principally used, with a steam stand-by for emergencies.

The sworn statement of the private company to the state Board of Public Works for 1924 shows a gross profit on the Seattle business of $2,660,164.12. The annual report of the Seattle City plant for 1924 shows a surplus of $700,097.81 with all obligations including depreciation covered. Both utilities are thus in sound financial condition. The City plant shows an earned surplus in the twenty years of its life of $6,819,304.68 which has been reinvested in extension and improvements.

Prior to 1902 when the City plant was assured, the private company was in full established possession of the field and charged 20 cents per k.w.h. for residence use. Rates were then dropped to 12 cents. In 1904 the City plant began serving current at the following schedule:

8½ cents for the first 20 kilowatt hours.
7½ cents for the second 20 kilowatt hours.
6½ cents for the third 20 kilowatt hours.
4½ cents for all over 60 kilowatt hours.

The private plant dropped to within ½-cent per k.w.h. of these rates.

From then on till 1923 the City plant was able from time to time to lower its rates, and each reduction was promptly met by a like reduction by the company—*the city always taking the lead.* It would be interesting and germane to the purpose of this article to follow this war in detail— for war it was—but space forbids. In 1923 the city established the present rate schedule of

5½ cents for the first 40 kilowatt hours.
2 cents for the next 200 kilowatt hours.
1 cent for all over 240 kilowatt hours.

This lowered rate was immediately adopted by the company.

It is to be noted that like reductions have been made in power and rates. Mr. J. D. Ross, Superintendent of the City plant, explained to the writer when in Seattle last summer that although the City plant had 83,000 customers as against 25,000 of the company, the latter still holds the cream of the profitable big power and commercial business which it furnishes *at city rates,* thus saving to these large users about $4,000,000 annually. "If the City plant had a monopoly of the business in Seattle," he declared, "I could cut domestic and commercial rates in half and still serve large users at the present rates." He estimates that the competition of the City plant now saves to private and public consumers roughly $10,000,000 a year. The city tax budget is $4,000,000.

The municipal experiments of Seattle and other American cities have been of prime value in discovering to the public the absurdly low cost of generating and distributing electric current and the consequent high profits to the private companies in selling at present standard rates. Cleveland, Ohio, which finances extensions out of bond issues, successfully operates a steam plant upon a three-cent per k.w.h. rate for domestic and commercial service, as does Jacksonville, Florida, at three cents, with oil generation. Seattle, Los Angeles and other cities using water power, charge five cents and use the profits for extensions partly in lieu of bond issues. The municipalities of Ontario are united in a great public super-power system financed by bond issues. All the larger cities through successive reductions have now reached the point where they are charging two cents or less for domestic service.

The "spread" between these rates and private charges of 8, 10 and 15 cents is too great to be endured indefinitely by our large cities. The power interests must either reduce their rates and radically revise their expectations of financial return or public ownership will make rapid progress. In California cities are consolidating into super-power districts after the manner of the private companies. In three states the proposition of a publicly owned state-wide hydro-electric system based essentially on the Ontario method, is a live political issue.

The retention of Muscle Shoals and similar sites on the Colorado, Columbia, St. Lawrence and other great rivers is therefore of first importance in order that the public may continue to secure the definite advantages which competition with private monopoly has so far been able to produce through the public ownership of relatively small plants.

JUDSON KING.

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One Gap in Rate Regulation

> The Congress shall have power . . . to regulate commerce with foreign nations, and among the several states, and with the Indian tribes.—*Constitution of the United States, Article I, Section 8, Clause 3.*

UPON the construction of the commerce clause of the Constitution by the Supreme Court of the United States depends both the power of Congress to regulate interstate commerce and the power of the states to regulate it until Congress acts. If that court holds that a particular transaction is intrastate commerce the federal government cannot directly regulate it, but often can indirectly regulate it by a finding of fact that something in that transaction, such as the price charged is harmful to interstate commerce and an order requiring cessation of that harm. On the other hand, if the Supreme Court holds that a certain transaction is interstate commerce, then when a state attempts to regulate it the court has a further question to decide, namely, whether that regulation is of such a character that the state may exercise the power until Congress acts or whether it is of such a character that the power can be exercised only by Congress. In the first instance the state power may be displaced by Congress any time it chooses to act. In the second case the state has no power to act and could not be given power by Congress—either the transaction must be regulated by Congress or not at all.

The transmission of electric power from one state to another is interstate commerce. Interstate transmission by public utilities in considerable amounts is of too recent development to have resulted in constitutional decisions directly thereon. The decisions of clearest analogy are those on the interstate transmission of natural gas by pipe line. There has been no federal legislation to regulate the rates to be charged for power transmitted in interstate commerce.

Long distance transmission of electric power and also transmission for distances already considered short will in the relatively near future include sufficient transmission across state lines to afford a fact basis for a vast amount of regulation by the federal power. The extent to which such a result will come about will depend on whether decisions of the Supreme Court permit an effective exercise of the state power within fields where the federal power might be, but has not been, exercised, and on whether Congress, in the exercise of its judgment on industrial and political questions, favors a maximum of state power and minimum of federal power or the reverse. Ultimately, regulation must be complete and effective and if court decisions on constitutional questions should leave the state power ineffective, the exercise of the federal power will become inevitable, even though Congress would otherwise foster the state power. And even though the Supreme Court decisions permit an effective state power within a maximum field, the judgment of Congress as to the desirable results as compared with the actual results of state regulation may lead it to displace the state power by the federal. In all of this the preference of the power interests for regulation by the states or by the federal government will be a powerful, if not controlling, influence.

The purpose here is not to discuss how far the federal power might constitutionally be extended, but instead to discuss in a general way what may be the minimum of necessary federal regulation with effective state regulation over the rest of the field.

Among public utilities engaged in transmitting electric power across a state line, the two chief types probably will be (1) a utility owning power bought or generated by it in one state and which it regularly transmits into another state and there delivers to factory and domestic users, and (2) a utility owning similar power which it regularly transmits into another state and there sells wholesale to one or more utilities, which make the local distribution to users.

The legal groundwork for leaving the first type to state regulation has been developed, but not with finality. There seems to be no likelihood of the second type being subjected to effective state regulation, unless a powerful public opinion against concentration of government and in favor of state regulation results in a changed judicial outlook. Two utility corporations, one transmitting interstate and delivering wholesale to the other for intrastate distribution to users, either of which owns all or substantially all the corporate shares in the other, raises a question whether the interstate commerce is of the first or second type. In other words, is the corporate fiction to be seen through making the two one, or is it a mask sufficient to reveal only one hand engaged in interstate commerce and another and unassociated hand engaged in intrastate commerce? This is a very important question because of the strong probability that in general a utility having regularly a large amount of electric power for interstate transmission will not dedicate its property to public service except through distributing systems owned by it or by closely associated utilities.

The two most significant decisions are Pennsylvania Gas Company vs. Public Service Commission, 252 U. S. 23, decided March 1, 1920, holding a natural gas utility of the first type subject to regulation by the state until Congress acts, and Missouri vs. Kansas Natural Gas Company, 265 U. S. 298, decided May 26, 1924, holding a natural gas utility of the second type free of state regulation even though Congress had not provided for federal regulation. In the first of these cases the utility was engaged in producing natural gas in Pennsylvania and transmitting and selling it to factories and residences in Jamestown, N. Y. The street pipes which reached the consumers were supplied with gas by direct connection with the main from Pennsylvania. The utility attempted to raise its rate from 30 cents a thousand cubic feet to 35 cents. A consumer lodged a complaint with the Public Service Commission of New York, alleging that the new rates were exorbitant and the Commission asserted its jurisdiction. The Court of Appeals of New York (in re Pennsylvania Gas Company, 225 N. Y. 397; 122 N. E. 260) held that the Commission had power to regulate the rate at which the natural gas was sold in Jamestown. The Supreme Court of the United States affirmed that decision on the ground that:

> This local service is not of that character which requires general and uniform regulation of rates by congressional action, and which has always been held beyond the power of the states, although Congress has not legislated upon the subject. While the manner in which the business is conducted is part of interstate commerce, its regulation in the distribution of gas to the local consumers is required in the public interest and has not been attempted under the superior authority of Congress.
>
> It may be conceded that the local rates may affect the interstate business of the company. But this fact does not prevent the state from making local regulations of a reasonable character. Such regulations are

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always subject to the exercise of authority by Congress, enabling it to exert its superior power under the commerce clause of the Constitution.

The New York Court of Appeals made a more brilliant effort to reach principles and its decision was founded on ground broad enough to hold our second type of utility also subject to state regulation until Congress acts, as appears from the following:

> . . . The principle back of them has been often stated. "As to those subjects which require a general system or uniformity of regulation the power of Congress is exclusive." Minnesota Rate Case, 230 U. S. 352, 399 . . .
>
> . . . Here, then, is the decisive distinction between the regulation of the price of gas and that of rates of transportation. There is no room for conflict of authority, for clashing regulations. . . .
>
> The case comes, then, to this: We have a sale of a single commodity. We have a pre-existing duty to sell it at fair rates. We have a transaction where conflicting regulations by the states are impossible, for the public duties regulated are fulfilled in one state only. We have a statute which declares a duty that would exist without it, and establishes a new agency of government to insure obedience. The silence of Congress cannot be interpreted as a declaration that public service corporations, serving the needs of the locality, may charge anything they please. . . . The local regulation stands until Congress occupies the field.

All the above would apply also to a utility which dedicates its property in part to the service of a particular community by holding itself out to supply regularly from its interstate main the natural gas to be distributed to that community by another utility. But unfortunately the Supreme Court has left little hope of this solution, as will next be shown.

In Missouri vs. Kansas Natural Gas Company, supra, the company was engaged in producing and buying natural gas in Oklahoma and Kansas and piping it to connections in Kansas and Missouri with utilities which bought the gas and distributed it to local consumers. The company raised its rate from 35 cents per thousand cubic feet to 40 cents without compliance with the public utility law of either state. Cases came up from the Supreme Court of Kansas and from federal district courts in Kansas and Missouri. The Supreme Court of the United States held that neither state had power to regulate the rate. The most tangible grounds stated by the Court are:

> . . . But the sale and delivery here is an inseparable part of a transaction in interstate commerce—not local but essentially national in character—and enforcement of a selling price in such a transaction places a direct burden upon such commerce inconsistent with that freedom of interstate trade which it was the purpose of the commerce clause to secure and preserve.
>
> . . . There is nothing in Pennsylvania Gas Company vs. Public Service Comm., 252 U. S. 23, inconsistent with this view. There the Gas Company, a Pennsylvania corporation, transmitted gas from Pennsylvania into New York and sold it directly to the consumers. The service to the consumers, which was the theory for which the regulated charge was made, was essentially local and the decision rests upon this feature. . . . The commodity, after reaching the point of distribution in New York was subdivided and sold at retail. . . .
>
> . . . The things done were local and were after the business in its essentially national aspect had come to an end. . . . The business of supplying, on demand, local consumers is a local business, even though the gas be brought from another state and drawn for distribution directly from interstate mains; and this is so whether the local distribution be made by the transporting company or by independent distributing companies. In such case the local interest is paramount, and the interference with interstate commerce, if any, indirect and of minor importance. But here the sale of gas is in wholesale quantities, not to consumers, but to distributing companies for resale to consumers in numerous cities and communities in different states. The transportation, sale and delivery constitute an unbroken chain, fundamentally interstate from beginning to end, and of such continuity as to amount to an established course of business. The paramount interest is not local but national, admitting of and requiring uniformity of regulation. Such uniformity, even though it be the uniformity of governmental non-action, may be highly necessary to preserve equality of opportunity and treatment among the various communities and states concerned. . . .

This opinion fails to distinguish on principle the Pennsylvania Gas Company case. The sale price in the latter case included compensation for the gas from the interstate main as well as for local delivery, and the commodity was not "subdivided and sold at retail" in a way to end the interstate commerce prior thereto. What is meant by "subdivided" in the above effort to distinguish the case is not clear, for the court found that the transmission from Pennsylvania to the burners of the Jamestown consumers "is continuous and single and is, in our opinion, a transmission in interstate commerce." The local character of the delivery is discussed as though the court is now of the view that the delivery there was not part of interstate commerce, but that cannot be correct. An extreme case to the contrary is Western Union Telegraph Company vs. Foster, 247 U. S. 105. The discussion of "local character" and "local interest" versus "national character" and "national interest" does not show on principle why one may be regulated by the state until Congress acts and the other may not. It ignores the fact that in the Pennsylvania Gas Company case the interstate commerce included both and the regulated price for the "local" includes compensation for the "national." So obscure an effort to distinguish a case shows that it is giving trouble as a precedent. The effort by the United States District Court to distinguish the case was clear at the expense of simple fact, thus it said, "the court held that . . . the company came under the regulating power of the state, because what was done was a local intrastate business, and not interstate commerce." (State of Missouri vs. Kansas Natural Gas Company, 282 Fed. 341, 343.)

In fact, one or the other of these cases is apt to be overruled or distinguished away when the work of finding the law on giant power gets under way. The political views now dominant would forecast losing ground for the Pennsylvania Gas Company case, but a strong, nation-wide revival of public opinion against centralization of government might leave the Kansas Natural Gas Company case to be overruled or loosely distinguished from giant power cases in which will arise a far greater need for regulation by the state if the federal power is not to be exercised. Natural gas is a relatively temporary supply; on the production side a highly speculative business, like crude petroleum, compensated with speculative profits; and ultimately the local utility must supply its permanent consumers with manufactured gas. This differs from electric power which

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ordinarily is a permanent supply; a stable, thoroughly calculated production enterprise; and under giant power the typical instance will be that in which the property of the corporation engaged in the interstate transmission will be dedicated to the public service of supplying the local utility, among others, just as the property of the latter is dedicated to the service of its community. This is the "pre-existing duty to sell it at fair rates" stated by the Court of Appeals of New York in the Pennsylvania Gas Company case, and stated by the Supreme Court of Kansas when the Kansas Natural Gas Company case was before it as follows:

> . . . So far as the Kansas Natural Gas Company is concerned, the distributing companies in this state may be considered the consumers of the gas sold. If that is correct, there is no difference between the present case and the Pennsylvania Gas Company case. (State vs. Kansas Natural Gas Company, 111 Kan. 809, 208 Pac. 622.)

Whatever may be said about the determination of constitutional principles by these two cases, the truth is that no one can forecast future decisions on the regulation of giant power unless he can forecast the dominant political influences of the future. There is real danger that a utility engaged in the transmission of electric power from one state to another and there distributing it to homes, offices and factories may be completely freed from state regulation by the courts, even though there be no federal regulation. And, *on the other hand, it is legally, if politically, possible that* not only such a utility but also a utility engaged in similar transmission but distributing to other utilities which in turn distribute to the consumers, may be subjected to state regulation unless and until Congress provides for federal regulation. The immediate goal of the interstate power interests is to escape regulation and so in Congress they will oppose federal regulation and in the courts they will oppose state regulation. Some day when the public will no longer tolerate the failure to regulate, probably the power interests, like the railroads, will favor the broadest displacement of state power by the federal.

There is a general misapprehension about the situation. Secretary Herbert Hoover, for example, in an address before the National Association of Railroad and Utilities Commissioners at Washington, D. C., on October 14, 1925, speaking of the instance when a local utility buys power from an interstate utility, said:

> . . . Here the question is simply as to whether the rate paid for the purchased power is reasonable. If unreasonable, the commission may refuse to allow its full amount in settling the rate base. It is open to the commission to fix a rate for resale to consumers within its jurisdiction based upon what the commission considers a fair price, the companies having the usual recourse to the courts for redress against injustice.

If by this he means that the state commission can fix the rate to be charged by the interstate utility, the answer is Missouri vs. Kansas Natural Gas Company, supra, and if he means that the state commission, in fixing a reasonable rate to be charged by the local utility, has constitutional power to allow to the independent local utility as an operating expense item only the amount of a reasonable charge by the interstate utility and to disallow the balance of the amount paid to the interstate utility, the answer is that the law affords no basis whatever for such an assertion in the normal case. Only under such circumstances as collusion by the local utility or its failure to seek some competitive supply at a reasonable rate, which of course will rarely exist, could its payments be disallowed.

It is not here contended that even if the states have constitutional power to fix rates to be charged by interstate utilities, a condition may not come about requiring certain displacements of state power by federal power. Rate regulation is not an exact science and two state commissions might arrive at differing judgments on the reasonable rate for power from the same source. It is desirable that Congress have power to coördinate state and federal regulation and to permit state regulation or not according to its judgment. But this becomes impossible under a constitutional principle that deprives the state of all power whether or not Congress acts, and requires federal regulation or nothing.

So far only the regulation of rates has been considered. Other features of regulation are in general subject to the same constitutional questions. Legislation by Congress to provide federal regulation on some points will become necessary even if the state should be accorded full power to regulate rates. For example, the extension of power lines across a state line to supply a new territory could be ordered only by federal authority. And under full development federal apportionment of the supply between states will be necessary. But such matters are administratively simple compared with the regulation of rates.

WILLIAM BOYD HUNTER.

A Simple Matter of Morality*

THE time has come to stop pussyfooting on the question of government ownership. This does not apply particularly, perhaps not at all to the men of the electrical industry. These men have generally been outspoken and consistent. The application is to all men of common sense —and they are many—who have been misled into passive acquiescence in various specific local schemes for government ownership based upon supposed local benefits. . . .

The plain truth should be told. Advocates of government ownership, whether they know it or not, are enemies of society. If some cult of faddists tried to bring yellow fever back to the communities it once ravaged, it would get short shrift. . . .

Government ownership has been tried ever since there were governments. It is an old discarded policy. Government ownership built the pyramids of Egypt, but no one claims that Egypt's form of government was either democratic or desirable. Government ownership brought a dictator to Italy; they were so deep in the mire that a dictatorship was the only way out. Germany, not quite so badly off, turned its railroads over to a corporation in order to change deficits into net revenues. . . . Out of all the experiments, from Pharaoh to Pinchot, there is not a single known instance where government ownership—national, state, municipal or other—has been beneficial. It is known that the system cannot continue in a democracy. Either the democracy or the system must go. The evidence is complete. We need no more experiments.

Let us tell the plain facts. The system is wicked; its advocates are enemies of society.

* Extracts from an article entitled Pussyfooting with Government Ownership, by John B. Miller, President of the Southern California Edison Company. Reprinted, with the permission of the Electrical World, from a symposium of National Leaders on Industry Topics in the Electrical World of May 8, 1926.

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CORRESPONDENCE

The Censors Nod

SIR: I wonder how Anita Loos's book, Gentlemen Prefer Blondes, got through the censors in America. They must be asleep now and then? They try to stop Boccacio and James Joyce and let Anita loose.

If Gentlemen Prefer Blondes is not the most immoral book of the year, or of all years, I am much mistaken. Anita waves her hand, and all the religions, the morals, the conventions and dulnesses of life become empty shadows and we at last know the central purpose and goal of human life. Schopenhauer's pessimism becomes a religion of optimism compared to Anita's theory, and Freud's complicated system of dream analyses seems fearfully longwinded after reading the educational methods of Mr. Eiseman. It takes a woman after all to discover that our civilization is like "the Emperor's new clothes"—and to say so.

Anatole France is a babbling brook compared to Anita, and all the cynicism falls terribly flat after Dorothy's remark. "She is slipping it over on you Louie, because how could a girl get such dirty knees in only eighteen years." Even Nietzsche with his breaking up of the old tablets never preached a more direct and revolutionary gospel. They are all romanticists and dreamers beside this clear-eyed female who has her eyes always on the main chance and who has looked so deeply into selfish human nature. Dreiser, Sherwood Anderson and Sinclair Lewis will have to look to their laurels. The tendencies of our time—and of all time—have never been better, more simply or more pitilessly exposed.

Gentlemen Prefer Blondes is really a grat book and ought to have the Nobel Prize next time it is awarded.

CARL ERIC LINDIN.

Lausanne, Switzerland.

Mr. Billings Did the Washing

SIR: The Confessions of an Ex-Feminist are such that I am tempted to make another confession myself. It was about fourteen years ago that I met the first American woman who was married, had a child, and still pursued a career. In those days, I was an educated but helpless immigrant girl, having come from a country where women considered home-building, child-rearing and making a husband happy the finest of all human arts.

Mrs. Billings before her marriage sang in a church, and kept her job after her matrimonial contract. For hours during the day she would sing and play, visit friends, or carry on long conversations on the telephone; while I, just for board and room, would take care of the baby, wash the baby's clothes, clean the house, wash the dishes, iron clothes, etc., etc.

During this period of exploitation in my life, instead of indulging in self-pity, I began to study the nature of all human associations in the United States. Mr. Billings, after working all day to provide for the family, came home and helped us in the kitchen. And what was my amazement when I saw him one Monday night, in a large apron, doing the family washing. I thought then that the Taming of the Shrew was an accomplished fact in the United States, only that the thing had happened to the male sex. On Sundays, a big roast beef was prepared; and besides the Sunday dinner, three more suppers were supplied from this, in addition to the noon hour roast hash.

My readers can see why I decided then and there to have an American husband, if seized by the desire to enter the matrimonial precinct. Although I doubt if my American husband would be allowed to share the business of giving the baby's bottle at 2 A. M., for, the mother instinct in me being strong, I would prefer doing it myself.

For fourteen years I have devoted considerable attention to the problems of human relationships in the United States; and one of the conclusions at which I have arrived is this: American men are kind but soft. In order to gratify the needs of their emotional life, they are willing to do anything for women. It is not exaggeration if I state that men are pretty much driven by women. We are, in fact, on the verge of entering a matriarchal age. The Ex-Feminist's husband may be a happy or unhappy exception, but I know there are many Mr. Billingses. Housekeeping, with all the conveniences and the canned stuff we have, is not so hard in America. Women want a home without children most of the time, a lover, a provider and a career outside.

Although I am considered a progressive individual far ahead of my times in most of my views, yet I shall state that at the present, with few exceptions, the desire to get out has the following bases: (1) The women like to get a weekly or monthly check; work not paid by cash seems to them drudgery. (2) The excitements and the noises of the outside world are too alluring and stimulating. (3) They like to meet other men and women, and to have new adventures. (4) They consider marriage from the pleasure point of view.

I hope the Ex-Feminist will stick to her post and do the things which contribute to the up-building of a normal society and a healthy nation. We are fast becoming a country with many beautiful houses but few homes. The business and professional world will get along just as well without the help of some of the married women. The Female of the Species, if she be a genius, will find outlet for self-expression wherever her lot may be cast.

My Ex-Feminist sister instead of indulging in self-pity needs to change her mental outlook on life and a correct psychological attitude would keep her from becoming "the colorless, housewifely, dependent sort of female," for after all the laws of nature are more than the artificial standards of an epileptic age.

New York, N. Y. A LATTER DAY YANKEE.

The Radio and Education

SIR: I was interested in your paragraph about radio listeners in the April 28 issue. It appears to me that you have not sized up the demands of listeners correctly. You state that a station director's function should be more nearly comparable with that of a newspaper editor or college president if "dead radios" are to "come to life again." If the number of radio listeners is to be increased, I am doubtful if either of the functionaries mentioned has the popularity of a "vaudeville impresario."

My observation seems to indicate that a majority of radio listeners will tune out the kind of a program you would have for something more jazzy. I would venture a guess that for every dead radio revived by changing the plane of broadcasting to a more educational and cultural level, ten radios now in use would join the company of dead ones. I do not believe that our station directors are unmindful of the wants of their audience.

Bethlehem, Pa. R. B. PAWIN.

An Institute of Euthenics

SIR: Vassar College has announced an Institute of Euthenics to be held from July 8 to August 7, 1926. The Institute has been organized for the purpose of supplementing the ordinary college curriculum in the field of euthenics which includes the study of the controllable environment and its adaptation for the improvement of the individual, and hence of the race, through increased efficiency, mental and physical. Its purpose is to apply scientific knowledge to the complex problems of adjustment between individual and environment, with special emphasis on the home and the family.

The chief emphasis this summer will be along the lines of Child Care and Development, Mental Hygiene, and the Economic Problems of the Family. The lecturers in each of these fields will be men and women of national repute.

In connection with the courses in Child Development, a nursery school will be maintained, equipped with a staff of trained assistants, to demonstrate the most approved methods of child care as applied to the pre-school child.

Poughkeepsie, N. Y. ANNIE LOUISE MACLEOD.

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The Golden Gospel of Silence by Calvin Coolidge

The Mind of the President, by C. Bascom Slemp. New York: Doubleday, Page and Company. 357 pages. $3.

As John Morley might have said, Calvin Coolidge has given us the third volume in his series on the golden gospel of silence. This time the Hon. C. Bascom Slemp, former secretary to the President, plays the rôle of editor. He writes an entertaining preface, arranges extracts from the speeches of his distinguished chief under certain heads, and interlards the text with occasional notes, graphic, explanatory and illuminating. According to Mr. Slemp, the President "would provide a fundamental economic foundation for the life of the people, finding its expression in economy, both public and private, with a consequent reduction of expenses of government and relief to the taxpayer." Probably no more succinct analysis of Mr. Coolidge's system of political science has ever been made. Probably no one could put it in better form than Mr. Slemp has in these simple lines. On taking a comparative view of all the Presidents, our editor decides that "Coolidge is outstanding among them in the quality of consistency. He has never changed his position on a fundamental issue." And yet we have it from the same high authority that "in dealing with public or political questions, President Coolidge has political intuition almost psychic. One cannot see, touch, or hear a political tide, but it can be felt . . . He is an opportunist in that he awaits the knocking at the door and never fails to answer the call." It certainly takes an ethical artist to operate on fixed fundamental principles while obeying an almost psychic intuition for changing tides and an opportunist's instinct for knockings at the door. Still it must be said that anyone who makes his way to power through the intricacies of American politics has to develop ingenuity.

In an introductory note on President Coolidge's address dedicating a building for the National Academy of Sciences and the National Research Council, Mr. Slemp gives us his key to executive wisdom: "The mind and methods of President Coolidge are scientific. He would be happy if his conclusions were as exactly deduced as mathematical formulas are derived and he strives to make them so. He would apply the scientific method to the political as well as the physical world." That is a fruitful suggestion and a careful scanning of these pages confirms Mr. Slemp's penetrating discovery. A great many of President Coolidge's arguments take the form of simple aphoristic statements that remind one of the first distiches in the multiplication table. A few examples of the President's method of reasoning will suffice to illustrate Mr. Slemp's general proposition. "We cannot be isolated. Other peoples exist all about us. . . . The League exists as a foreign agency. We hope it will be helpful. . . . Conditions must be provided under which people can make a living and work out of their difficulties. . . . As a matter of fact all the political parties are progressive. I can't conceive of a party existing for any length of time that wasn't progressive. . . . America, more thoroughly than any other country, has adopted a system of self-government. Sometimes we refer to it as the rule of the people. Certainly it is a system under which there is every opportunity for self-government and every encouragement for the people to rule. . . . Until we can reëstablish a condition under which the earnings of the people can be kept by the people, we are bound to suffer a very distinct curtailment of our liberty. . . . I am in favor of the elastic provisions of our tariff law. I propose to administer them, not politically, but judicially. . . . I want to see a good farmer on a good farm raise a good crop and secure a good price. . . . Our Constitution guarantees equal rights to all our citizens, without discrimination on account of race or color. I have taken an oath to support that Constitution. . . . Work is activity for an end. It always seeks to accomplish something. The main object with which we associate it is that of material progress. . . . We need to feel that behind us are Intelligence and Love. Doubters do not achieve; sceptics do not contribute; cynics do not create." While some of the higher mathematicians may be inclined to quarrel with a few of the President's axioms, most people who have what the philosophers call naïve common sense will doubtless agree with Mr. Slemp's characterization of them. At all events, several of them have the savor of exigent formulas.

There are in the President's speeches, however, some abstruse points not so easily grasped. For example on page 135 there is a cogent argument for the protective tariff as a form of government intervention that "maintains American standards of living and of business, for agriculture, industry and labor. . . . A fiscal policy which places a large and much needed revenue in the public treasury, while stimulating business to a condition of abounding prosperity, defends itself against any criticism." And on another page the President remarks with reference to other proposals: "The government cannot successfully insure prosperity. . . . Every business has its risks and its times of depression. It is well known that in the long run there will be even more prosperity and a more satisfactory range of prices under the natural working out of economic laws than when the government undertakes the artificial support of markets and industries." At first blush there seems to be something in the nature of a contrariety here. Certainly agrarians of the Bryan school will be disposed to take that view of the two professions of faith. Of course it may be argued that the government can assure prosperity for manufacturers and cannot do the same thing for farmers on account of the inherent divergences in the two branches of national enterprise. Again, it may be said that this was one of the occasions in Mr. Coolidge's intellectual development on which an intuition almost psychic took the place of irrefragable reasoning.

As a matter of fact, President Coolidge, like Thomas Carlyle, refuses to adhere rigidly to a mathematical view of the universe. He would doubtless say with Carlyle that in "the French System of Thought (. . . which for the want of better title we have named the Mechanical) there is no room for a Divinity; that to him for whom intellect or the power of knowing and believing is still synonymous with logic, or the mere power of arranging and communicating, there is absolutely no proof discoverable of a Divinity; and such a man has nothing for it but either, if he be of half spirit as is the frequent case, to trim despicably all his days between two opinions; or else, if he be of whole spirit, to anchor himself on the rock or quagmire of Atheism."

Now President Coolidge, although a good logician, is no Atheist. There is room in his system for a Divinity. There is a touch of Kantian transcendentalism in his intellectual make-up. "All owners of property," he said on one occasion, "are charged with a service. These rights and duties have been revealed, through the conscience of society, to have a divine sanction." Again in another relation, he explained that the limitations on behalf of individual rights, laid down in the Constitution, "are imposed, not by the

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fiat of man, but by the law of the Creator." If in one connection he declares that "each individual and each nation owe their first duty to themselves," he is quick to add, a few weeks later, that "We want idealism. We want that vision which lifts men and nations above themselves."

Just how high, is nowhere stated, but the conviction is firm and clear.

Among the many excellent and entertaining things in this book are President Coolidge's reflections on international relations. He is emphatic in his insistence on peace, with honor. There must have been a joyful glint in his friendly eye when he said to the graduating class at Annapolis: "I am not unfamiliar with the claim that if only we had a sufficient military establishment no one would ever molest us. I know of no nation in history that has ever been able to attain that position. I see no reason to expect that we could be the exception."

Mr. Slemp has done his fellow citizens a great service in making this admirable anthology. Perhaps in the next edition he should add to the text of the President's smashing defiance of the Senate in the Denby case a footnote stating that, after all, Mr. Denby was allowed to resign, that Mr. Daugherty was asked to resign, and that the Hon. Charles Beecher Warren was not made Attorney General of the United States—unless, of course, this might be deemed a counsel of perfection.

CHARLES A. BEARD.

Symphonic History

Virgin Spain, by Waldo Frank. New York: Boni and Liveright. 301 pages. $3.

VIRGIN Spain, the tenth work of Mr. Waldo Frank, was being written from 1921 to 1925. During this time he was allowing his sense of Spain as a whole to ripen. Writers who cherish a feeling for totalities are comparatively rare in all literatures, and almost non-existent in American letters of our day. Mr. Frank tries valiantly to preserve the species.

What I am saying, of course, is that Mr. Frank is a writer of imagination, for, boiled down to a phrase, the imagination is simply the birdseye view, the seeing—not sequentially but in a flash—of an object in all its aspects. Virgin Spain approximates a whole view of Spain, its sources, peoples, psychology, art, landscape and history, and by its form it seeks to hold all these elements in an immediate fusion for which we shall require a new term—history as an æsthetic or symphonic history.

There are, however, two types of this high imagination designated by the words detached and attached. The writer of detachment practices a method of taking total views devised to insure objectivity. But the attached writer reaches a whole view because his interest in the subject matter, his curiosity about it, even his pride in workmanship, lead him to make a thorough exploration. It is more than these that carry him to the end. It is, as notably in the case of Virgin Spain, a true love for his subject. Mr. Frank is a lover of Spain: his language alone, exhilarant, caressing, aglow and courtly, tells us that; and because he loves, he has contemplated his beloved steadily and long, rapt in finding out the least detail. So this warm attachment, this subjective devotion, gives a completeness that is personal and rare, though not so extremely rare as is the completeness that is olympian achieved by the master of detachment.

Being whole, Virgin Spain is therefore multiform in aspect, and the reader can walk about the book selecting angles of approach. Is it facts he wishes? Mr. Frank's studies have been checked for factual accuracy by Frederico de Onís, the Spanish scholar resident at Columbia University. Is it psychological penetration into the life of a nation? Mr. Frank has his thesis for Spanish psychology and his formulæ for the sub-groups and conspicuous characters. Is it pictorial values? The book even has virtues as a traveler's guide. The wider interests of the book, however, can be narrowed to two: religious and æsthetic.

Like all of Mr. Frank's earlier books, Virgin Spain is lit—sometimes fitfully—by the mystical concerns and vision of the author. An essay is due on that subject, but here a digression must suffice. Mr. Frank writes: "For he alone is the true artist whose personal will is the will of his land and of God: only in this marriage of wills can there be true creation," and this certainly sounds like—I am quoting from Paul Elmer More on Alexandria as the seed of romanticism—like "the Occidental sense of the Ego merging with the Oriental sense of vastness and vagueness." I am merely raising the question of romantic elements in Mr. Frank's viewpoint and my suspicion thereof is strengthened by the potpourri of speculative psychoanalysis (romantic through and through) and his own intuitions which he occasionally stirs at places where one hoped for the comprehensive insights of religious psychology.

But his æsthetic achievement—the style and form which bodies his love for Spain—flashes and shines, columns and balances like one of the best of the cathedrals he describes. That is to say, the book, considered formally, is definite, intricate, dense, jeweled, aspirant, gracious and mastered to a harmony that appears peculiarly fitting for Spain.

The style varies from a richness of painting well exhibited in the following paragraph to a coruscating swiftness for racing over the centuries. Mr. Frank is writing of a Saharan oasis. "The merchants sit on straw mats: they bake round acorn cakes on brasiers; they sell dates gold-dry, bronze-rich; they measure thimblefuls of palm oil dripped from reeking goatskins; they cobble sandals; they sell liver of camel and couss-couss, a staple dish of wheat, flaked with vegetables or meat. (Donkeys stand mournful, charged with juniper from the distant Atlas.) They sell dust and fragments of silver, potsherds, amulets against devils, halters, tea; they sell the dry leaf of the favorite henna. The crowd sways, bartering, laughing. The Arabic is vowelless and the burnouse is proud. The Arab is shrewd; his eyes glint, his fingers snap, his voice pelts." Since Our America has already made known Mr. Frank's gift for rapid summation, I shall not quote an example of his swiftness from Virgin Spain, but define it by saying that its danger is comprehensiveness without precision, or speed and intensity without weight, just as his richness may be delimited by saying that it runs the risk of preciosity (as when Mr. Frank writes: "The eyes of humans are velvet dark, like the eyes of a dream"). But in general he escapes these excesses and folds his textures closely into his form which in Virgin Spain opens with a prelude.

The prelude states the essence of the "naturalistic mysticism" of Spain: "Spain is her earth and her sky." The first act reveals the jetting sources of Spain in northern Africa: the Arab, the Moor and the Jew: and as they cross the strait, the reader moves also and settles in Seville, Salamanca, Toledo, Valencia and other great cities. A symbol is discovered for the life of each city about which its past and present agglutinate. Thus, the cities become plastic, become, in fact, *characters* in this drama.

The tragic and ironic action begins with Queen Isabel.

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"The vision, a theodicy: the form, the Church of Rome: the dynamic means, a State. In the impossible marriage of these three elements lies the tragedy of Spain." For Spain is successful. She becomes one, but her unity induces sleep. That is, her various impulses lock with each other and create an equilibrium, the energic sum of which is zero.

Today she is astir in her sleep, and such figures as Picasso, Jimenez the poet, and Unamuno, the radical mystic, play the rôles of awakeners in Mr. Frank's presentment.

This is a too brief suggestion of the intricate and gyring form of Virgin Spain, and my task is the harder in that I do not know with what to compare it, for Carlyle's French Revolution only hints at the æsthetic possibilities of history. Nor am I giving justice to such chapters as the extraordinary analysis of the bull fight as an art or the eloquent criticism of Don Quixote. What will turn out to be more important is to see clearly why Mr. Frank is devoted to Spain.

As one can easily surmise, it is because the cultural history of Spain bears so closely upon the travail and promise of America. What we see in miniature in Spain is the break-up of the mediæval synthesis and the faint stir toward a new birth. What we have in America, according to Mr. Frank, is "the grave of Europe" and implanted in that grave is the seed of virgin Spain. "The Dream of the Old World, at last—a New World!" says Columbus in the apocalyptic dialogue that ends Mr. Frank's book. And Cervantes in the same dialogue says of Spain: "Unpossessed, you have borne a Word."

GORHAM B. MUNSON.

Psychology Put to Work

Influencing Human Behavior, by H. A. Overstreet. New York: People's Institute Publishing Company. 296 pages. $3.

PROFESSOR OVERSTREET has done for psychology what psychologists—because of their specialist preoccupations—are unable to do: he has put it to work in the midst of a homely sweat and dirt world. He appears to take what goes by the name of new psychology by the scruff of the neck and to say: "It's all very well to go about saying every problem is at bottom psychological, but what can you do for this child who dislikes to read, this student who is unable to study, this publicist who misconceives his public, this citizen who is incapable of straight thinking?" Since he is as a philosopher a thorough-going pragmatist—one of those annoying persons who goes about asking what things and ideas are good for—Professor Overstreet would, I believe, do something similar with every branch of learning.

His book belongs to the new genre of semi-scientific writing which attempts to clarify and practicalize scientific findings for the person who is not a scientist.

The demand is for lucidity and interesting synthesis rather than precision and analysis. The style consequently comes to be impressionistic prose which sacrifices details for attention-gripping conclusions and relationships. I regard this experiment as something more than a mere fashion in writing; whether or not it will achieve the purposes for which it is designed must still be doubted. Thus far we have only quantitative clues. We know that James Harvey Robinson, A. E. Wiggam, John Langdon-Davies, Lothrop Stoddard, Joseph K. Hart, George A. Dorsey—those who have utilized this style most effectively—have been able to distribute incredibly large numbers of their books. This is the first and necessary step; we still need to know whether the persons who have read these books have thereby increased their intelligence and understanding of science. We ought, at any rate, to give thanks to publishers and authors who are sufficiently adventurous to experiment with any means to satisfy the intellectual itches of potential learners.

Professor Overstreet begins with the premise that every human being wants to count for something and that this involves the essential constituent of being capable of influencing the behavior of others. He is, fortunately, aware of the dangers of externalism implied in the above formula. The people who have developed great desires to influence the conduct of others have invariably submerged the others in the process. To influence another is to secure power over him, i. e., to substitute your will for his. This is, of course, contrary to Professor Overstreet's ideal, but I mention it merely because we all read selectively and there are some who will surely find in this volume a new justification for the selfish uses of power. The techniques for influencing human behavior suggested by Professor Overstreet are for the most part familiar, especially the simpler ones included in Part I. Here he deals with such problems as capturing attention, appealing to wants, effective speaking and writing, sustaining interest, et cetera. In Part II he approaches what he calls fundamental techniques. This is by far the more fascinating section of the book, and if our author finds greater difficulty in this region in remaining on the psychological track, we are nevertheless more pleased with his performance. Who, indeed, can restrain interest when such tempting leads are held forth as straight thinking, training the creative mind, fabrication habits and the technique of humor? Philosophy and psychology are adroitly blended in these later chapters with the result that the reader sees an ideally adjusted and harmoniously functioning human being arise from the pages of his book. We shall, of course, never meet him, but if we should he would be recognized as a person who influences others, but not too much, who speaks and writes effectively, who never bores, who is conscious of his compensating rationalizations, thinks straight, is liberal in judgments, is creative and inventive, and possesses a sense of humor.

If the term readable means anything, it should be applied to this book. It contains nothing new, that is, new to those who are acquainted with the psychology of the last three decades, but it is is so refreshingly and invigoratingly written and interpreted that much of it must make the appeal of newness. The dryest sentences are in quotations.

Professor Overstreet's friends have been telling him through reviews that he has written a great book. I think he knows better. At any rate, I am too earnestly his friend thus to betray him. A great book could not have arisen out of the circumstances which gave this volume its original form and function. These were lectures delivered at the request of students who represented wide divergences of mental equipment and scholarly capacity. They, evidently, wanted to learn how to influence behavior. Professor Overstreet would have preferred, I am sure, to discuss with them how to modify their own behavior. In fact, much of his written result points in this direction and belies the title. As a scholar he is able, I assume, to go deeper and stay under longer intellectually than these lectures demanded.

No, this is not a great book. It would be doing Professor Overstreet a distinct disservice to call it that. It is, however, a book of many fascinations—chief of which is its experimental character. I have never read a book based upon lectures which so vividly transferred aspects

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of the classroom environment to the printed page. It is also a volume of many utilities, particularly to those who are striving to learn whether or not this so-called new psychology has any real meaning for the day-to-day lives of non-academic persons. And, Professor Overstreet will, I prophesy, confound those who over-praise him by writing a better book. EDUARD C. LINDEMAN.

Truth More Stirring Than Fiction

Robert Schumann, by Frederick Niecks. New York: E. P. Dutton and Company. 336 pages. $5.

WHAT is the importance of an artist's life and character to his work? Are the musical contents of songs, symphonies, quartets, sonatas formed by temperament and the experiences of a personal and professional career? Robert Schumann fought the hatred of a tyrannical father-in-law to take a loving wife. Did romantic love mold "Romantic" music? As a youth, a bourgeois dissolute, he dabbled in vices, spending money recklessly, vacillating in tremulous sentimentality before the choice and pursuit of a career. These are not the qualities of a hero.

The life of a composer has little direct influence on his special musical genius. Circumstance may keep a man from being a musician, or may even determine superficialities of his method and manner, but it does not make him a great artist or a poor one. There are vices and shortcomings in the natures of masters, Beethoven, Brahms, Wagner, that ought to mar their achievement, but in fact an inner talent—musical talent—is what creates their works, and that is inscrutable to biography.

If temperament, even aided with much ability, made music, what symphonies could be mightier than Bruckner's and Mahler's? Musical genius, often indefinable and inexplicable, is all that matters. Perhaps it turns circumstance to account, guiding instinct with education, refining judgment with instruction, intensifying sensibility with hardship, but successful production is a mind process that disregards everything except the material with which it works. Hence an artist's biography can tell little of actual creation.

Yet the life of a genius, a Schumann, is more stirring than that of another man. To the reader who loves the master's music there is special force in the tale leading toward the climax of his most magnificent achievement. And the kindly generous Schumann with his timidly frivolous youth, his feverishly creative middle years, the almost mystic melancholy of his ailing later life, and his mad end, is an extraordinarily interesting character.

The interest is buoyantly sustained in Nieck's biography much because of his informal manner. The writer's death prevented his polishing his work into less fibrous smoothness. Also it hurried and clipped his final chapters. The fault is proportionately small, for Niecks was a scholar whose research was exhaustive and whose choice from sources was impeccable.

His Robert Schumann is justly called a supplementary biography. Almost all its material is easily to be found elsewhere, but the flavor of humanity, that true essence of Schumann's life and character, is to be sensed nowhere in such rich purity as here. This is more than an inestimable contribution to Schumanniana: for all its biographical method it is near to the genre of a Jean Christophe.

ALEXANDER FRIED.

Recent Fiction

One Little Man, by Christopher Ward. New York: Harper and Brothers. $2.50.

WELL known for parody and satire, Christopher Ward flavors his first legitimate novel with bits of both. They are in curious contrast to the rest of the book, yet they probably save it from disaster. Born a humorist, Mr. Ward knows how to preserve his inner balance while outwardly sliding down a slippery hill of sentiment. His story is the old one of a pathetic ineffectual nobody with a romantic soul. It rocks back and forth between emotion and sentimentality because Mr. Ward is unwilling to give his emotion restraint. The little man Herbie Frick oscillates between reality for what he is and unreality in what he does, proving a much truer character in isolation than in relationship with others. As for the others, most of them are butts for satire and most of them, consequently, are types. Mr. Ward cannot wholly forget his past. His book is the work of a writer torn between two techniques, half creating from the substance of life, half poking fun at the substance of literature. He must still decide whether to write novels of his own or to rewrite, tongue in cheek, the novels of others.

L. K.

Teeftallow, by T. S. Stribling. New York: Doubleday, Page and Company. $2.

REVELATIONS of the past year have offered the occasion to write a novel about Tennessee. Mr. T. S. Stribling has seized this occasion and written as good a novel, perhaps, as a merely journalistic motive is likely to produce. But he is more diligent as an assembler of material than he is effective as a novelist. A lynching, a Ku Klux outrage, the public persecution of a girl whose lover has omitted to marry her, the familiar excesses of provincial evangelicalism—Mr. Stribling has wedged these all in. At the same time he has obliged himself to meet the requirements of an old-fashioned mechanical plot, which he has done by heavily oiling the weaker joints with sentimentality. The reputation that Mr. Stribling won through Birthright has given its successor a more favorable introduction than it really deserves. Abner Teeftallow is the sort of hero one has forgotten by the next day. Nessie is diluted tradition. Authentic as its detail may be, the book is not the conception of an artist. Furthermore, Mr. Stribling writes badly, in a manner devoid of sensitiveness and defaced by certain hopelessly bad habits. The tendency to become jocose, here and there, without reason and without humor, is one of the worst of these. O. H. D.

The Private life of Helen of Troy, by John Erskine. Indianapolis: The Bobbs-Merrill Company. $2.50.

THE face that launched a thousand ships has functioned again, mightily. It has launched a best-seller. Helen of Troy renews her sway over the world, but this time perhaps less as a face than a voice. Certainly her spell over us derives from the haunting bits of wistful wisdom that she utters. Not her beauty but her point of view intrigues us. Love is her theme, life her desire. She has had neither in its fulness, by reason of that beauty which made her a being apart from the inexorable demands which

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life imposes upon common humanity. But at least she has acquired wisdom. Mr. Erskine is a wise and witty hunter of paradox. Granting that existence had to be resumed on a normal basis by the Greek victors over Troy, let us reconstruct it, he says, in the idiom of today. With extraordinary precision, clarity and simplicity he fits together such bits of the Homeric legend as touch the lives of Menelaos and his family, including the tragic disaster of the house of Agamemnon as viewed obliquely by his protagonists. And he recreates the woman whom imagination has always drawn as the *passive* centre of one of the stormiest epics of mankind, making her the supremely and serenely active element in the reorganized family group. The essential wit of Mr. Erskine's performance lies in the juxtaposition of the Vulgate of modern English with the purely classical outline of one of the greatest tragic stories of the past. It is continuously not the text that makes one smile, but the underlying paradox. Of course if one pokes determinedly at the tenuous fabric of this narrative, it collapses and becomes—shall we say inexpensive? But why poke? E. B .H.

Roundabout, by Nancy Hoyt. New York: Alfred A. Knopf. $2.50.

THE youthful experiences of the heroine in Roundabout are summed up by her father in the figure of a merry-go-round: "Back where you started with some of the wind knocked out of you and a perfectly good franc spent on a senseless turn on the chevaux-de-bois." In the sophisticated modern manner Miss Hoyt has written a romance which is improbable without being charming. It has something of the brightness of a merry-go-round, but none of the speed or abandon. Paris night life, Montmartre beneath the moon, Washington society, inner-circle dances in New York—these are conveyed with a promising touch of vividness. But Miss Hoyt knows her background better than she knows those who fill it: if her people are not sentimental they are hysterical, and if they are neither, they are storybook cynics like the heroine's father, who believes in letting his daughter go her own way. Denise goes, turns human at moments, finds a cocotte immensely lovable and generous, thinks coffee better at the Plaza than in France, meets an incredible aunt, and wins a suitor named John and a suitor named Jerry. Not meant to be important, Roundabout is debatably entertaining. L. K.

Wild Heart, by Isabelle Sandy. Translated from the French by Charles Miner Thompson. Boston: Houghton Mifflin and Company. $2.

A MORE beautifully compact and expressive book than this simple tale of the Pyrenees seldom falls to the lot of the reviewer. Proof of its richness lies in the fact that, searching for one main character upon which to hang an expository thread, one is beguiled by the desire to bring forward into high-light at least a half-dozen of the folk who fill its pages. The Vicentes family—blind father, light-hearted mother, venomous uncle, weak-kneed son and melancholy daughter—the squat "paborde," autocrat of his little world, the woodsman Peyoun—they are wholly alive, these Pyreneans; and romantically alive also is the background against which they live. Llivia, the ancient Roman city that is neither Spanish nor French, and approached by a neutral belt, upon which transgressors of the law may, in extremity, take refuge, but from which, unless they are careful, they may by a good buffet be propelled into the waiting arms of justice on either side—Collioure by the sea—Font-Romeu, shrine of Our Lady—Cerdagne, "opaline cup whose chiseled edge is the Pyrenees"—here are names of haunting beauty all imaged in a radiance of sunlight, "the warm black sun of the blind!" as the poor sightless Jose calls it.

The translator has been notably successful in transcribing both color and cadence. He has, moreover, adroitly reproduced the Gallic swiftness and swagger of the peasant tongue. E. B. H.

Editorial Note

In our issue of April 15, 1925, Mr. William L. Langer reviewed Iswolski und der Weltkrieg, by Friedrich Stieve, the translation of which is now being published by Alfred A. Knopf of New York.

Similarly, an article by Edmund Wilson in our issue of February 11, 1925, under the title of The Last Phase of Anatole France, dealt with two books then published in France, but recently brought out in America. Of these Anatole France Himself, by Jean Jacques Brousson, is published by The J. B. Lippincott Company of Philadelphia; Anatole France at Home, by Marcel Le Goff, by The Adelphi Company of New York.

Harcourt, Brace and Company of New York have taken over the publication of The Art in Painting, by Albert C. Barnes, which Mr. Leo Stein reviewed in our issue of December 2, 1925, at which time the book bore the imprint of The Barnes Foundation.

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